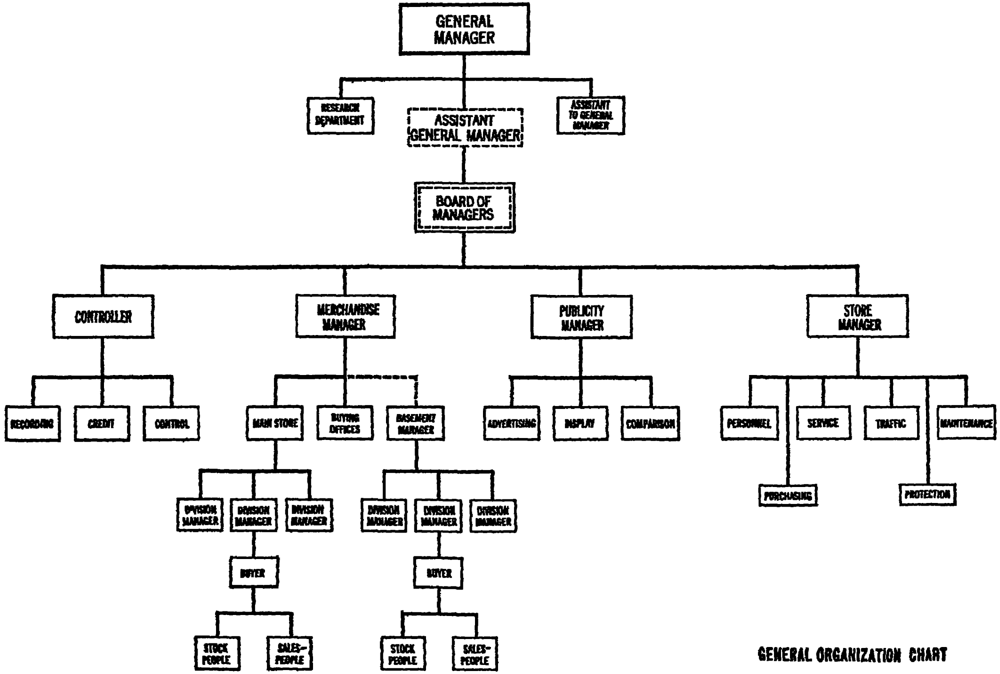
Principles of Organization Applied to Modern Retailing



GENERAL ORGANIZATION CHART
OF
DEPARTMENT STORE
(SUGGESTED FORM)

Principles of Organization Applied to Modern Retailing

By

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with the assistance of

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Written for

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STATEMENT OF COMMITTEE

The National Retail Dry Goods Association, through its Committee for the study of the Fundamentals of Retail Organization, takes pleasure in presenting to its members and business men in general this volume on *Principles of Organization Applied to Modern Retailing,* by Paul M. Mazur of Lehman Brothers, believing that it represents a most significant contribution.

It became evident to the Committee shortly after its appointment, in September, 1924, that the task assigned to it was of the greatest magnitude.

The Committee realized that best to accomplish its purpose, the study should be made by someone not involved in retail operation, but with an understanding of, and experience in, retailing.

Mr. Mazur was selected as the man possessing the qualifications. He had the necessary retail experience. His previous written contributions on retail subjects indicated careful study, clear viewpoint, and a sympathetic, constructive attitude toward retail problems.

Mr. Mazur's book is its own demonstration of the thoroughgoing manner in which he conducted his study. More than two years have been required to make the survey. The Committee believes that this book presents for the first time a complete picture of the operation and organization of retailing—a picture to challenge the serious attention of business executives.

It is natural for us to agree with what we ourselves are doing and to disagree with what we are not doing. Therefore, the Committee does not agree as a unit with every conclusion drawn by Mr. Mazur. Nor does the Committee disagree as a unit with any one conclusion. But the Committee is agreed that Mr. Mazur has made an immensely valuable contribution to retailing.

Neither Mr. Mazur nor the Committee asks or expects general agreement. It is hoped that the work will stimulate thought, furnish a basis of further organization analysis, and indicate the validity of a careful examination of the actual workings rather than the charted picture of organization structures. From such an analysis the entire structure of retailing may be improved.

The Committee expresses its sincere thanks to Mr. Mazur in the belief that the members of the National Retail Dry Goods Association and business men in general owe him a real obligation for this work.

To Mr. Donald K. David, assistant dean of the Graduate School of Business Administration of Harvard University, for the careful and thorough prosecution of the field studies under his direction, the Committee also expresses appreciation.

The Committee

Louis E. Kirstein, *Chairman*
Percy S. Straus
Oscar Webber
S. H. Halle

AN ACKNOWLEDGMENT

ALTHOUGH the content and conclusions of this study of department store organization are the results of one individual's analysis of an overwhelming mass of data, the character of the content and conclusions has been influenced by scores of men who are recognized as leaders in the field of retailing.

The willingness of these men to give freely of their time and thought was the most pleasant experience I encountered in this interesting work. And if there is anything of value in these pages, credit for its existence is due in large measure to those men who aided me so materially. Not being a retailer, I was entirely dependent upon the coöperation of those who held the key to the wealth of knowledge I would tap.

To the fourteen stores who gave access to their entire operating procedures my gratitude must find its only expression in the determination to treat their contribution in the confidence that their unstinted generosity merits. To the committee of the National Retail Dry Goods Association, including Mr. L. E. Kirstein, Mr. Oscar Webber, Mr. Percy Straus, Mr. S. H. Halle, and Mr. Lew Hahn, I am grateful for the opportunity given to an "outsider" and for the freedom of action allowed me.

There are so many department store officials who have helped that it is impossible for me to acknowledge my appreciation to all. But I feel that I owe a special debt of gratitude to Mr. Felix Fuld of L. Bamberger & Company, Mr. A. L. Filene of William Filene's Sons Company, Mr. Benjamin Namm of A. I. Namm & Company, Mr. Victor Sincere of National Department Stores, Mr. F. R. Lazarus of F. & R. Lazarus Company, Mr. A. H. Burchfield of Joseph Horne & Company, Mr. Sheldon R. Coons of Gimbel Brothers, and Mr. Clive Lacy of William Filene's Sons Company.

Acknowledgment is gratefully made for the permission of the Harvard Business Review to republish the material in Chapter II.

To Mr. Donald K. David, assistant dean of the Harvard Business School, belongs the credit of directing the field study which furnished the facts. To his assistants, Mr. Silbert, Mr. Jennings, and Mr. Bowman, is due credit for the painstaking work involved in the actual collection of the data.

I am particularly indebted to Mr. Myron Silbert, who has spent months in assisting me in the arrangement and analysis of the material.

To my loyal triumvirate I will try to express my appreciation in my day-to-day contact.

PAUL M. MAZUR

December, 1926.

PART I

THE DEVELOPMENT OF A THEORETICAL ORGANIZATION STRUCTURE UPON THE PRINCIPLES OF ORGANIZATION

PRINCIPLES OF ORGANIZATION APPLIED TO MODERN RETAILING

CHAPTER I

INTRODUCTION

THE problem of department store organization is fundamentally the problem of the entire unit. Organization includes personnel, their duties, and the relationship between those duties; and the department store is made up of practically nothing else.

The use of machinery in the operation of the retail unit is negligible. Human beings do the work with little aid from mechanical appliances. Salesmanship and buying depend upon ability, experience, and a knowledge of people. Merchandising and advertising require good judgment. System may be of aid, but in the final analysis organization rather than system will determine success.

I accepted with hesitation the invitation of the National Retail Dry Goods Association to aid in making a study of department store organization. For an outsider to assume responsibility for analyzing and presenting his conclusions regarding the very foundation stones of the retail edifice seemed to that very outsider a bit presumptuous. Nor was his peace of mind abetted by the knowledge that even within the trade there was no agreement as to one, two, or three proper forms of department store organization.

However, there were several facts of sufficient strength to convert a fear into the courage to go ahead, and to transform hesitation into an avid desire to seize the opportunity to learn as much as possible and to contribute something of value, if possible.

An earnest belief in the economic soundness of the department store prompted me to learn the reason for its strength. The steady growth of the large retail unit and its relative stability in the face of variations in industrial and financial conditions have been outstanding features and interesting facts for the economist and banker.

I felt that the whole field of distribution had contributed materially to the startling industrial development of the country. I felt completely out of sympathy with those who, with or without reason, found it necessary to indict distribution. It seemed to me that the department store would not have grown unless it was basically sound, internally as well as in its relationship with other units of the economic chain.

As a student I was convinced that the merchandise methods used by retailers would influence production methods. I could not subscribe to the theory of everlasting emphasis upon mass production. Production must finally be measured by consumption. And in the department store we find the last link in the chain of events which convert production into consumption. I wanted to know the method of measuring consumption, and whether that method was only opportunism or the result of conscious effort; whether the manufacturer could continue to manufacture at top speed and then to sell, or whether he would be forced to manufacture that volume which he could sell profitably.

I have learned a great deal. The stability and low mortality of retail institutions are not accidents, but the results of inherent strength. The present hand-to-mouth buying plans are not passing phases, but the results of improved methods; and the manufacturer must accept them as permanent features of business procedure.

America is not going to be Fordized—if by Fordizing we mean the maintenance of manufacturing activity on an ever-increasing production schedule. American industry and commerce will make what can be consumed without the necessity of high-pressure sales and low-point profits to liquidate the inventory

results of constant peak production. Low-cost production means nothing if the high-cost distribution necessary for the disposal of that production cancels the advantage of manufacturing huge quantities of standardized products.

The danger of inventory accumulation was seen in the business conditions of 1919 and 1920. American industry apparently has appreciated the wisdom of small stocks and rapid turnover. Mass production has rendered a great service to the American purchaser. But the establishment of mass production as an idol, to which there must be sacrificed the recognition of a variation in consumption demands, is bound to create industrial depressions. The planning of manufacturing schedules upon the basis of well-judged possibilities for sales, corresponds to the merchant's determination of stocks upon the basis of his power to turn those stocks into cash at a profit. Both can be called merchandising; and merchandising is an essential element in economic stability and in the continuity of industrial prosperity.

From the retailer the manufacturer can learn much that is valuable. In the rush for production supremacy, the producer in some cases has neglected the merchandising requirements of his business. Periodically, he finds his production schedule out of line with his sales results. Large inventories, forced liquidations, and low or no profits result. Those manufacturers who supply merchandise to the retailer should be interested in learning the methods and aims of that branch of economic endeavor upon which their production depends. All manufacturers can learn a great deal from the progressive retailer concerning the anticipation of sales possibilities and the planning and control of inventories.

The stage of development reached by retailers is by no means uniform. The variation is striking, and there is undoubtedly much room for general improvement. As sound as the department store is, the full potential of its inherent organization strength has been fulfilled in but few cases. Some curious contradictions exist in the assignment of tasks; and the full possibilities of specialization still have to be exploited. Whether the

material herein presented is basically sound or represents a helpful contribution must be left for time to determine. It is earnestly hoped, however, that it will direct the attention of the store owner to an appraisal of his own organization which may have developed unnoticed somewhat away from the lines of greatest effectiveness and safety. If this study succeeds in doing that, then the effort of an interested student of retail economics will be fully repaid.

A cursory knowledge of modern successful department stores available before starting upon this study made it clear that no standard form or forms of organization could be based on present results. There are hundreds of successful retail establishments, and there are hundreds of variations in the form of the organizations which have produced those results. Some elements of uniformity exist in a large number of stores; but these are by no means sufficient either in the extent of the organization covered or in the number of instances in which even the partial uniformity exists to serve as a basis of presenting a standard of organization structure.

The reason for this is clear. Even a theoretical plan of organization must be modified to fit the caliber and abilities of the existing personnel. Inasmuch as practically all department stores have grown from small beginnings without any theoretical plan of organization, it was inevitable that both the form and content of the organization which each founder built would be suited to his own needs and characteristics. The organization of each department store is largely a reflection of its founder or head; and individuality is as great in the organization structures as it is in the men who built them.

No one can fail to recognize the importance of developing a plan of organization which is suited both to the man who leads it and to the human material available for executive offices. Nevertheless, to accept such a premise as a starting-point of a study of organization is to stultify or even destroy the advisability of collecting and interpolating facts and invalidate the wisdom of drawing conclusions. A logical and relatively impersonal

investigation becomes a personal psychological analysis of the owner and his chief executives. The result would be chaos.

There is another reason why such a personal approach to the study of organization is ill-advised. Even though it may be true that the mechanism of organization must be suited to the owner and head of a business, the requirements of his job, as head of the business, are dependent not alone upon his desires and needs, but upon the conditions imposed by the competitive struggle. The head of the business is responsible for its success. He must be capable of winning and maintaining that success, and his organization must be so arranged and so manned that his assignments of responsibilities will be adequately fulfilled.

In the long run, then, the man must be suited to the job, for the job is created and imposed by the rigorous competitive struggle for sales and profits. The principle of fitting jobs to men can be applied with safety only in the most limited way.

Once the general manager has determined the job his company must do to insure permanent success, he must plan that type of organization which gives him the greatest assurance of fulfilling the requirements of the task of gaining and holding success.

Such a plan of organization should be based upon both a thorough knowledge of the process necessary for successful operation and the most adequate distribution among the organization units of the steps in that process.

Having determined the best plan of organization, it is necessary that there be obtained that personnel which can put the plan into effective operation; or the plan must be modified to suit the human material available. So essential are these two factors of (1) creating the most effective plan and (2) modifying this plan to suit either the exigencies of the moment or the personnel conditions that cannot be changed, that throughout this survey they have been emphasized and reemphasized at the expense of perhaps needless repetition. The fear still exists that the store owner may say that this study has not taken into account the conditions of personnel which exist in his establishment.

Such conditions have been taken into account in so far as it is possible or advisable to do so. It is impossible to make the modifications necessary to suit the needs of the hundreds of individual personnel problems which exist. It is inadvisable to create a plan of organization which will suit the unknown needs of the men who occupy the key positions of the department stores. Modifications must be made, but the needs of the job must be ultimately satisfied if department store success is to accrue to its owner.

It was the job, then, that became the basis of the study of organization. What is the job which the department store must perform in order to operate adequately and profitably upon a permanent basis? And what is the best organization structure for the fulfillment of that job?

There was no short cut to the analysis of the jobs, and the use of a comparative study of organization charts in order to determine the approved forms of organization structure was obviously worthless. The organization chart does give an indication of the jobs which each unit performs, although titles are often confusing because the same title is assigned to different offices in different stores. But the organization chart could give no indication of the process of operation which converted a static picture of an organization into a living organism that did things. And finally, the picture of the lines of authority which might be lucidly portrayed in the blueprint that hung on the wall or was sandwiched between the top and glass cover of the desk in the general manager's office, often existed only in theory.

It was necessary, therefore, to learn the details of the fundamental purpose of organization, namely the job to be performed. Three men from the Harvard Business School under the direction of Donald David made thorough surveys of thirteen stores selected by the National Retail Dry Goods Association. The scope of these investigations covered:

1. The operating steps performed.
2. The organization units responsible for the performance.
3. The lines of organization authority which existed.

Having obtained a thirteen-reel motion picture of the operations of thirteen stores, the material was tabulated, comparisons made, controversial points indicated, and conclusions drawn.

The actual operating procedure necessary for successful store operation must after all, be left to the decision of the store owners. For purposes of this study there was used the most complete picture which could be made based upon the entire group of stores investigated.

From a study of that complete process a theoretical plan of organization was created. Three factors were used in the determination of the structure which seemed to offer the most adequate machinery for the effective execution of the job. First, existing practices were analyzed and compared. Second, predominance in the character of existing forms of organization was given careful consideration and was a basis of influence. Third, important emphasis was placed upon the application of those principles of organization which seem to have stood the test of logic and experience.

Only one plan of organization is presented as the ideal form of structure. This does not mean that it is the only right plan, but it is the one plan which resulted from careful and, it is hoped, valid reasoning. It may sound strange to say that the evolution of one plan came as a surprise to the writer. Nevertheless, it is true. During the early stages of a study requiring eighteen months, it seemed likely that it would be impossible to present one plan. And I so expressed myself. One plan forced itself upon me as the only logical structure for the most effective execution of the requirements of department store success.

The reasoning from which this one form of organization structure was developed has been given in full. It is hoped that this material will appear not as a protagonistic brief emphasizing the strength of the plan and neglecting its weakness, but as a fair, unprejudiced statement of facts and a series of logical deductions and inferences. Many of the existing plans to which exception is taken not only have been presented but the cases in their behalf have been stated as favorably and clearly as possible. The plan of

organization structure which has emerged from the study has had only that element of personal bias in its determination which it was humanly impossible for the writer to dismiss.

Having constructed a theoretical plan of organization, the study proceeds to the next essential requirement. An organization structure means little unless the operating procedure is so planned that its practice will make effective the organization plan created. Therefore, a complete plan of operation—showing the process in sequence—has been constructed upon the basis of the organization plan developed. Every major operation is indicated; all inter-departmental relationships are shown; and every step necessary to maintain the predetermined functions and relationships among the major divisions of the store has been carefully codified.

The plan of presentation of the material has followed the lines of the major organization divisions. General Management, Merchandising, Publicity, Store Management, and Controlling are the chief organization divisions generally accepted by progressive stores, and our theoretical plan follows that example. The material on organization details, powers, functions, and process is presented for each of these organization divisions.

It is probable that the suggested plan of neither the organization nor the process will be recognized as existing as a unit in any one store. It probably does not, or if it does the coincidence is purely accidental. But it will also be discovered that each constituent part of the suggested organization plan does exist in at least one well-operated, progressive store. The whole proposed structure resembles a mosaic which in its entirety is new, but each piece of which has a duplicate in some existing mosaic of store organization.

The original intention was to build individual plans of organization for various groups of stores. It was thought that one particular form of organization structure should be worked out for large stores, another for medium-sized stores, and still another for small stores.

Such a plan seems inadvisable. Just as the necessary modification which must be made to meet the problem of personnel

is great, so the modification required by the size of the establishment must finally be left for individual treatment, particularly since the head of the medium-sized and small stores is likely to fill a detailed operating office as well as that of the chief executive. Moreover, inasmuch as the plan of organization was developed upon the requirements imposed by the job to be filled, there is relatively little difference in the operating procedure of the small and large store. And whatever changes in organization are to be made will depend upon the steps which the store owner feels can be left out of the theoretically complete process of store operation. The chief modification which the small store owner can make in applying the suggested form of organization to his own needs is in combining units of organization. Or rather it would be more valid to say that the medium-sized and small store can assign one man to several jobs. Inasmuch as the organization is constructed on the basis of work to be done and not upon the basis of assigning work to men, the organization units should be left distinct and the men should be consciously assigned to fill two or more distinct offices.

The reason for this lies in the importance which is placed upon the point of view each organization unit has toward its responsibility. It is felt that the *motif* of each organization division will determine the nature of its contribution, and even its powers and methods. For that reason care should be taken not to fuse the necessary point of view toward the job in the personality of the man. Publicity, store management, controlling, and merchandising have individual points of view toward the business; and their responsibilities should be arranged so as to protect those points of view. Mr. Jones as controller should have the desired point of view of the controller; the controller's point of view should not be adjusted to Mr. Jones or his successor if either happens to prefer some other *motif* of controller's operation. And if Mr. Jones fills two offices, he is fulfilling two functions and perhaps satisfying two points of view.

It is not at all improbable that some readers will feel that the suggested plan of organization presents a basis of unpleasant

conflict. It is true that there is conflict, but a clear understanding of the reason and wisdom for that conflict should avoid the possibility of unpleasantness.

Conflict is inherent in the very nature of department store operation. There are four distinct points of view in publicity, service, control, and merchandising. The policies of service are bound to conflict in some cases with control and the protection of net profit. Publicity and merchandise may easily have completely distinct and antagonistic interests. There are times and there will be more times when the benefits of service must be measured against the resulting increase of expense and consequent decrease of immediate profits. Conflict may exist in any business where there are different points of view. And the department store dealing with the consumer, the manufacturer, the stockholder, and its personnel combines the points of view of at least those four.

Conflict may not exist openly if one point of view is so autocratic as to destroy the existence or the voice of all others. The destruction of all but one point of view is likely to create a hazardous situation; and the silence of all but one voice does not eliminate conflict, but does invalidate the strength which can come from the constant use of all the points of view essential for the net profits, growth, and permanence of the business. The wise, active, and constructive general management will eliminate conflict by well-advised administration and not by the ostrich process of burying its head through the elimination of the verbal expression of the existing conflict.

The department store is inherently one of the strongest links in the industrial and commercial chain. Much of that strength is as yet a potentiality rather than a fact. There is much to be done to convert that potentiality into an actuality. But once done, the department store will solidify and enhance its already significant position. Leaders of retail distribution may not agree that the material in this study represents a basis for the constructive advancement of their craft. Even if they did feel that the plan was theoretically correct, practical consideration would prevent anything more than a gradual application of the principles presented.

If there is an agreement with the plan in general, then the work involved in this study will have been worth while. If the only result of this work is to direct the thoughtful attention of department store leaders to their own organization plan, and to a careful analysis and inventory of the adequacy of their own organization structure, and to the changes which they must make to increase the permanent success of their businesses, then the writer will feel that for his effort he has received adequate compensation.

CHAPTER II

THE LOGIC OF DEPARTMENT STORE ORGANIZATION

THE word "organization" is somewhat ambiguous because of the multiple definitions with which it has become identified. Sometimes the term organization is applied to an entire corporate activity; other times it is used as a term of reference to the personnel of an institution. The dictionary defines organization as "parts of a whole that are brought into systematic relation." Such a definition will serve with but little change. An industrial organization is not the entire personnel, but rather the relationship between the individual members of the personnel. But, after all, the relationship between the members of a personnel is created for a purpose; moreover, in an industrial unit, it is the function of the individual which is essential. Therefore, industrial organization can be completely defined as being that relationship which exists between the functions of the personnel in order to effect the purposes of the particular business institution involved.

It is important to discover the reasons for a particular form of organization; because as the reasons change so the organization should change if effectiveness is to be maintained. Personnel is a stream the content of which is always changing. A corporation in ten or more years—and certainly within a generation—changes its executive and labor forces to a significant degree. The form of organization which was developed for the reason that the founder had certain qualities may, if his successor has different qualities, become unsuited to the qualities and abilities of the new head.

In a young business it is less essential to study the logic of organization. Trial and error and the test of survival will allow

only those businesses to survive which are fundamentally correct in operating effectiveness and therefore have that form of organization which is useful to the heads of the business. If health and life could be eternal, there would be no fears for the successful so-called one-man company or that successfully operated by a man who regards methods as red tape and prefers to keep his information "under his hat."

But the established business that desires to maintain its success over an indefinite period, and in spite of changing content of personnel, should discover the logic upon which a proper organization should be built.

The established business cannot afford the risk of trial and error for each of its main executives. The business represents too much invested capital. The earning power must be guaranteed in so far as is possible. The organization cannot adjust itself continually to changes of personnel. Any individual—no matter how important—who comes into the organization from time to time represents only a small percentage of the entire personnel. Readjustments of functions and responsibilities are hazardous and take time to work out effectively. The organization of an established business develops inertia with age, and the new individual must adjust himself to the organization except at such infrequent times as a fundamental change of organization is advisable.

To limit the necessity of these fundamental and expensive changes it is necessary to build a form of organization for which there can be found with a fair degree of facility those individuals who are necessary for its effective operation. Nor can the organization be built upon the assumption that perfect individuals will be available. The structure must be built to get the most effective results from a given personnel, and increasing results from an improving group of individuals.

As the fundamental purpose of organization is the continued success of a business institution, the determination of the form of organization should be based upon a careful study of the operations of the business. Those who have developed so-called systems of organization sometimes run the danger of developing

organization formulas which, like a panacea, are applied to any business institution to cure all ills. Such a procedure is likely to put the cart before the horse. Organization is a means, not an end, and should be molded to the needs and functions of the business.

Functions and Organization of a Department Store.—The function of a department store is to buy and sell wanted merchandise at a profit. To do this the personnel of the department store performs the following activities:

1. Merchandise Control
   - (*a*) Planning of stocks
   - (*b*) Control of stocks
2. Buying
3. Selling
4. Publicity
   - (*a*) Advertising
   - (*b*) Display
5. Service
   - (*a*) Delivery
   - (*b*) Receiving
   - (*c*) Rest-rooms
   - (*d*) Information, etc.
6. Maintenance
   - (*a*) Care of building
   - (*b*) Heating
7. Controlling
   - (*a*) Accounting
   - (*b*) Expense control
   - (*c*) Statistics
   - (*d*) General merchandise control
8. Personnel
   - (*a*) Employment
   - (*b*) Education

Ordinarily these activities [1] are concentrated into four main divisions as follows:

[1] The allocation of these activities varies in different stores. The distribution of activities indicated probably represents that which is most common.

1. Merchandising Division, responsible for
   (*a*) Planning of stocks
   (*b*) Control of stocks
   (*c*) Buying
   (*d*) Planning of events
   (*e*) Selling
2. Publicity or Sales Division, responsible for
   (*a*) Advertising
   (*b*) Display
3. Store Management Division, responsible for
   (*a*) Personnel
   (*b*) Selling force
   (*c*) Service
   (*d*) Maintenance
4. Controlling Division, responsible for
   (*a*) Accounting
   (*b*) Expense control
   (*c*) Statistics
   (*d*) General merchandise control

When a careful study of the ramifications of the duties of these four divisions is made, the unusual character of department store organization is discovered. In a manufacturing organization the activities of each department of the business are ordinarily distinct. Each department is more or less of a compartment.[1]

In the department store, this compartmentizing does not exist. In the proper buying and selling of merchandise, each of the four divisions plays a constant and important rôle.

The work of the four departments is so interrelated that any one of the divisional heads can encroach upon the functions of the others, to the point of becoming the predominating influence of the business. In many companies the merchandise division holds the predominating position. This is natural as the activity of merchandising is the oldest. The peddler was a buyer and seller, and as he developed into a storekeeper, he maintained in his own hands the dual responsibility. Store maintenance consisted of

[1] This is particularly true of the designing, purchasing, manufacturing and selling departments.

dusting and sweeping. Crude records were added when necessary; and finally advertising began to play a part. As departmental growth took place, and it became necessary to employ buyers, the point of view of each department head or buyer was the same as that of a single shopkeeper. The department store became a combination of shopkeepers. Gradually it became clear that the advertising, recording, and superintending activities could be best handled for the whole store by specialists. But these men remained service aids to the chief and oldest function—merchandising.

In some instances the head of the business was primarily a publicity man and not a merchant in the old sense. He made his message to the public convincing and appealing. Then, having set a standard, he fulfilled his promise through his own endeavors or those of his assistants. And so there are department stores in which the selling point of view is the predominating one.

The acceptance of the controlling function as an important activity is of recent date. The controller is making rapid progress. Already there are evidences of his growing pains. One hears of the encroachment of the controller upon the other divisions of the business. He is not encroaching, for the most part; he is only following the path of his proper development as a factor of importance in the retail business. For the controller in a retail organization fulfills a function more dynamic, more a part of the operating success of the company than is true of almost any other industry. His work is not a matter of post-mortem analysis. The scenes change so rapidly that his methods of control must be anticipatory and sufficiently flexible to make possible constant correction and day-to-day protection. In a few stores the controller already has become the predominating influence.

In very few instances is the store manager the outstanding executive in the business. That his influence has grown in recent years is unquestioned. Primarily through the growing importance of personnel work, which ordinarily is a responsibility of the store manager's division, this department has become an increasingly important factor in the operation of the department store

The fact that any one of the four divisional heads can become the guiding influence is an element of tremendous strength and may explain in part the outstanding stability of department stores. Whether or not it has been a factor in the past, the apparent and real improvement in the type of men filling the divisional managerships is bound to increase the future effectiveness of the retail business. There are thus four men whose activities ramify through almost the entire operation of the business. Any of the four who has strength and ability can pick up the slack of unfulfilled responsibility left by any or all of the others. If the business is to deteriorate, all four must be weak, for any one can gather the lines of control. If all four be strong, then each major operation becomes protected by four points of view. If the four divisions are maintained on a coördinate basis, the supervisory control is concerned only with policies, constructive vision, and coördination. Routine checking is automatically furnished by the friendly conflict between the responsibilities of the four divisional heads. Such a parallelogram of organization support represents a foundation of strength that the department store itself is only beginning to appreciate.

Analysis of Major Divisions.—The extent to which the activities of each of the four divisions ramify through the business structure, the possibility of conflict, and the existence of four different points of view on each major problem become clearer if the responsibilities of each division are described by the manager himself. The following statements are typical of the points of view which are held by men who fill the divisional managerships:

THE MERCHANDISE MANAGER SPEAKS:

It is the responsibility of the merchandise division to provide for the consumer merchandise of the right style and quality, in proper quantities, at the right price, and at the right time.

To do this effectively it is necessary to search the markets of the world with an intimate knowledge of the consumers' needs.

Styles are created in the resource markets. New styles anticipate consumers' demands; they even create demand. Special values are found by constant contact with the resource markets.

Advertising is a news service for the merchandise obtained from style authorities. It should acquaint the public with the interesting things which we have in the way of newness of styles or special values. The merchandise division knows values and style. It should direct the advertising in the presentation of its selling appeal—in the planning of special events.

The sales force represent the front-line operators. Its members come in contact with the consumers. Salespeople are sources of information for the buyer. They should be trained and directed by the merchandise organization. The reasons for making a purchase are often the selling arguments to be advanced to the prospective customer. Effective buying and selling are dependent upon the ability of the merchandise division to direct the sales force.

In order for the merchandise manager to check the quality of the buying organization, the comparison office which checks the value of merchandise shown by competitors should be under the jurisdiction of the merchandise manager.

The determination of proper quantities depends upon an intimate knowledge of consumer needs and manufacturers' offerings. Records are necessary, but conditions change so rapidly that past results can be used only as a guide. Quantities should be determined on the basis of the judgment of the members of the merchandise division.

Price levels [1] at which the assortment of stock should be concentrated depend upon customers' demands and market offerings. Styles affect the price levels in demand. People buy constant quality, not fixed price. Only if general price levels and styles do not change are past records valuable. Current information is more important than previous years' records. In any event, although records are helpful, they should be used only as a guide for the judgment of the buyers.

THE PUBLICITY MANAGER ASSERTS:

It is the responsibility of the publicity division to present the store and the merchandise to the consumer in such a way as to build good-will and bring shoppers into the store to buy.

To do this, it is necessary to know:

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[1] The grade of store is determined by the prices at which the merchandise stocks are concentrated. These are called price groups, levels, or lines.

1. Who the customers are—so far as is possible;
2. In what they are interested;
3. The language or presentation which will be of interest to them and create within them the desire to buy in our shop.

The publicity division, knowing what is of interest to the consumer, should plan events, and require the merchandise organization to search the resource markets for the merchandise which will satisfy those events. The retail store gathers the merchandise from the markets of the world for the consumer. It should be the representative of the consumer in every market. It should never impose upon the consumer the offerings of the manufacturer. Resource markets should always be required to satisfy consumer needs. The publicity department should not impose the mistakes of the buyers upon the consumer. To do so will destroy good-will.

The publicity division should indicate not only the general type of merchandise which will be of interest, but also the price levels. Price levels establish the status of the store through the determination of the economic class of consumers to whom the merchandise will be of interest. It is not a question of price levels in the resource markets or of general commodity index figures. It is entirely a question of price levels demanded by the customers whose patronage is desired. The publicity division, dealing entirely with the consumer, is in the best position to determine the price levels at which the merchandise should be concentrated.

Through advertising, the publicity manager makes promises to the public. He promises new styles, large assortments, proper quality, good values, efficient service. Therefore it should be his responsibility to see that these promises are fulfilled.

And that responsibility goes beyond advertised merchandise. The good-will of the store and the pulling power of the publicity can be destroyed by unadvertised merchandise which does not fulfill the general promises of value, service, and style which are made in the advertisements. Therefore, in order to check the fulfillment of the promises made to the public, the shopping office, whose function it is to check merchandise against that of competitors, should be under the jurisdiction of the publicity manager.

Knowing the consumer, the publicity division can estimate quantities of merchandise which can be absorbed. It is not a question of

how much is available in the markets; for often availability in the market results from lack of consumer demand. Nor is it a question of previous records; conditions and demands change and the experience of last year may be absolutely no guide to what can be done this year. To use last year's figures as a basis of determining stocks and assortments may mean starving a stock which is in great demand, and overestimating a stock which can be moved only by sacrifices and expensive pressure. The publicity division should use records and market information, but the proper analysis of consumers' needs should determine judgment.

THE STORE MANAGER PRESENTS HIS POINT OF VIEW:

It is the responsibility of the store manager's division to give proper service to the consumer.

Proper service means intelligent selling; and this in turn depends upon the wise selection, effective education, and careful supervision of the selling force. Good service also means complete stocks, good quality, a clean and comfortable store, and efficient delivery.

The store management division, through its service representatives and its close relationship with the sales force, is in a position to know best what shoppers want. The store management division has no divided interest. It is always a part of the selling service. Unlike the merchandise division whose buyers must of necessity spend a great deal of time in the resource markets, the service representatives of the store are always in the selling departments in constant touch with the consumer and the sales force. Unlike the publicity division whose responsibility it is to write and present effective selling copy and whose activity is primarily one of supplying the public with merchandise news, the store manager's division is concerned with the selling service involved in each transaction.

It is admitted that the service of the store depends upon the satisfaction of consumers' needs and desires. Through jurisdiction over the sales force, the store manager's division is in a position to supply the merchandise division with requisitions indicating consumers' demands.

There is a temptation on the part of the buyer to discourage salespeople from indicating desires of consumers who are not satisfied with the stock on hand. Too often such indications of incomplete stocks are taken as evidences of reflection upon buying skill.

Buyers naturally put pressure upon the sales force to sell what is in stock.[1]

Even if there were proof that the stock checked up satisfactorily with that of competitors, and even if the advertised merchandise fulfilled the promises made to the public—there would still be the most important element of selling the right merchandise to the right customer. Protection of proper service to the consumer can be insured only by the store division whose point of view is entirely that of service—unhampered by the necessity of getting rid of merchandise for which it was responsible—and whose organization is sufficiently complete to make a check possible.

Through its knowledge of the consumer gained at first hand, the store manager's division is in a position to tell the publicity and merchandise divisions what the consumer is interested in and therefore the kinds of events which will have pulling power.

Quantities and prices should be estimated from a knowledge of consumer demand and the store manager's division is in a position to obtain that knowledge at first hand.

Service is the important function of the retail business.

The promises of service made by the publicity division must be fulfilled by the store manager. Therefore, he should set the standards which are announced as promises.

THE CONTROLLER IN DESCRIBING HIS ATTITUDE SAYS:

It is the function of the controller to record the financial transactions and to control the expenditure of funds. It is assumed that the controller's division is responsible for all accounting required by the business. But its responsibility and function should go further.

Figures are the only common denominator of the retail business. Resource markets, style factors, buying technique, selling appeal vary for each of the multiple kinds of merchandise carried in the department store. The only factors common to all are quantities and volume of dollars.

Merchandising, in so far as it involves elements other than style, quality, and value, is a matter of statistics. Quantities and stocks in relation to sales should be matters of statistical control.

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[1] Most stores require salespeople to make out a "call slip" for merchandise requested by consumers and not available in stock. The proper operation of the call-slip system is difficult to maintain.

The average buyer does not combine statistical knowledge with the technique of buying. Therefore that portion of the merchandise division's responsibility which has to do with quantities, price levels, relation of stock to sales, belongs properly in the controller's department—allowing the merchandise department to specialize in the finding and development of resource markets, the selection of proper style and quality, and the obtaining of the most advantageous price.

The retail business deals in mass. It has inertia. The past is a definite indication of the future, for mass always moves slowly.

Last year's figures, corrected for present general economic tendencies, become the basis of this year's plans. Stocks should always be controlled in their relationship to sales. Plans must be constantly corrected as future estimates are converted into past accomplishment.

The enthusiasm of the resource markets or the optimism of the store manager and the publicity department are valuable assets in creating selling spirit and effective advertising, but they form dangerous premises upon which to invest large sums of money in either inventory or expense. The history of the business is the best available index of the future. When enthusiasm and optimism begin to be converted into history, they become reasonably safe as a basis of action.

It is the controller who is able to interpret history and to project its indications into the future. It is the controller's division, therefore, which should set financial limits for merchandise investment and operating expense.

Price levels represent the character of the business. That character has been built over a period of years. The clientele obviously does not change each year. It should change slowly and only for good reasons. Price levels are not matters of variation in the resource markets' offerings, or in the apparent popularity of some outstanding styles. Price levels are created in the family budgets and they are recorded in the store's statistics. They may be modified by changing general conditions which raise or lower the general commodity price index, or by the changing of styles. But the burden of proof is always on such modification. The controller analyzes the recorded price levels of customers' demands and he should indicate the prices at which merchandise inventories should be concentrated.

As controller, he is interested finally in the net result of the business. He should set limits for initial mark-up, mark-downs, and

expenditures. All policies which involve expenditures or which affect gross margin should be passed upon by him. And he should take an important part in creating policies which will increase gross margin or decrease expense—and hence augment net profit.

Undoubtedly the claims of some if not all of the divisions will be subject to the challenge of the practical retailer. Some of the arguments used by each division head may be invalid. By and large, however, there is justice in the claims advanced. To one who is accustomed to the operation of an organization in which one of the four chief divisions is the predominating influence, or to one who is concerned with the activity of one of the divisions, the claims of the other three may sound like sophistry. However, in the department store field there are institutions in each of which a different division of the business exerts the major influence.

In any one business, it is obviously impossible to allow all of the divisions to develop to the point of control. Growth in the strength of the four divisions is inevitable as technique and experience are accumulated and as stronger and stronger men become divisional managers. What will happen if each of the individual heads of the department stores tries to develop his division to a point of complete realization of its possibilities and influence?

Obviously to avoid conflict and chaos, the functions of the four divisions will have to be limited and coördinated. It is possible that the time-honored test of the survival of the fittest will settle the combat. But if there should be two or more strong men, the battle will be costly. Moreover, there is always the question of the value of maintaining a degree of equality between the four divisional heads. If there is value in the four points of view and in the insurance which may result from the maintenance of their independence and equality, then it is not a question of survival, but one of protection of the four divisions, each of which has so much to contribute.

There are stores which have developed the coördinated type of organization. The degree of development varies tremendously, and in some instances the coördination is a matter more of form

than of fact. Obviously the organization is composed of human beings; and the making of a splendid organization chart showing four coördinate divisions does not insure coördination. The conversion of that chart into fact requires the right type of men, carefully worked out operating procedure, and supervision. Effective coördination depends upon the establishment of lines of responsibility which will work, and, therefore, which take into account the psychology of men and women. Moreover, if coördination is to be obtained, it is necessary that the operating procedure of the business be established in such a way as to make the predetermined organization relationships matters of daily procedure. The work of the various individuals must be such as to make the coördination a part of their responsibilities and not apart from them—visible only in the chart that hangs in the general manager's office.

To say that there is one right form of organization for the retail business is to deny the successful operation of scores of department stores whose forms of organization vary fundamentally. So long as the principles which the general manager feels are essential are not destroyed, the organization must be allowed to seek its natural level. And any organization which is not sufficiently flexible to allow for adjustments due to differences in men will creak and groan under the strain. It is right, however, to say that there is one right way to organize, and that is to create responsibilities and relationships which will make the most effective use of the existing personnel in the accomplishment of the end sought.

General Manager.—The chief responsibilities of the general manager are:

1. The determination of the policies of operation to obtain the desired end;
2. The determination of the general method of operation;
3. The determination of the form of organization to make the best use of the existing personnel;
4. The direction and inspiration of the personnel.

Undoubtedly the general manager often performs other activities. When he does, he is performing a function other than that of the general manager—and subject to allocation to some one of the four divisions into which the business can be divided. In performing the dual rôle of general manager and division manager, he probably establishes that division as the dominant one, and prejudices the possibility of real coördination. This is not necessarily harmful, but must be recognized as a condition in determining the desired form of organization.

In other cases the problem is complicated by the fact that the authority of general manager is delegated to several coördinate members of the firm. Again, this is a condition, not a theory, and must be taken into account.[1]

It is no small responsibility of the general manager to determine what form of organization will bring to his business the greatest results. It is the general manager's function to determine whether he wants an organization in which:

1. The divisions will have a coördinate relationship;
2. One division will be supreme or at least predominating;
3. Natural evolution due to the ability of his executives will determine the relationship between the divisions.

Such a decision requires careful consideration by the general manager. His final judgment will depend upon his own inclinations, experience, and ability. Organization is, after all, a tool for his use, and should be fitted to his needs. However, his own inclinations will be influenced by the following:

1. Opinion as to which division has the best claim to supremacy, or whether the four should be coördinate;
2. The availability of human material, either within or without his organization;

[1] This indicates why knowledge of the job and of the men are such primary requisites to the creation of an organization; and also why one plan of organization cannot be applied to all business institutions with any degree of success.

3. The extent to which the general principles of organization can be applied to his own business.

The opinion as to which division should be the predominant one will depend upon the interpretation of the function of retailing. If the consumer is thought to be the source of information for the buying and selling operations, then either the publicity division or store manager's division will control. If it is felt that the resource markets and style centers create demand and consumers follow, then surely the merchandise will be the chief unit. If history seems to be the basis of operation, then the controller will be the chief unit. And if all these are fundamentally necessary to effective operation—then there should be an organization of coördinate divisions.

The availability of human material is not subject to categorical analysis. Judgment, education, development, and inspiration are so important that there is no way of knowing other than through common sense and close contact what any man is capable of doing. Rating systems must finally be nothing more than notes for the guidance of an individual in judging another individual.

The application of the general principles of organization to a particular business is subject to critical analysis and definite conclusions. A full discussion, however, involves not only a review of the contributions made by those who stand as organization experts, but also a minute analysis of the points concerning which fundamental differences exist.[1] Because of limited space, it is necessary to take much for granted, and emphasize merely the necessity of applying those general principles which are useful to the business.

General Principles of Organization.—It is possible to define several general principles of organization which either are axiomatic or have become accepted through common usage.

[1] See Taylor's *Shop Management* for discussion of the functional type of organization, and Emerson's *Twelve Principles of Efficiency* for analysis of line-and-staff type of organization.

These general principles are six in number and are described as follows:

1. Fitness to the job. The organization should be built to accomplish the function of the business.

2. Fitness to the individuals. The organization should be built to make it possible for the human material concerned to fulfill the function of the business.

3. Each executive and each department should have a complete circle of responsibility. Functions should be performed in such a way that responsibility for their completion and quality can be assigned to one department or even one individual.

4. Up to the limits imposed by the requirement of a sense of responsibility, each department and each individual should specialize in a particular function.

5. As far as possible, judicial decisions of any importance should not be made by one department head. Minds which can make adequate compromises from two or more important points are rare. Single points of view are easier to find and develop. Compromises should be made by men with different points of view or by a superior executive.

6. Checks and balances should exist. The responsibilities of departments and individuals should be so arranged that the function of one should, on important matters, be dependent on and necessary for the function of others. This will eliminate the necessity of a great deal of supervision, and will create perspective on important problems. The constant check will insure effectiveness.

It is almost axiomatic that the form of organization should be fitted to the job, and to the individuals who are to perform the duties thereof. Obviously, then, the nature of the job and the qualities of the men must be known before any form of organization is worked out. Once the nature of the job is really known in detail and the men who are to perform the work are properly judged, the form of organization will practically suggest itself.

The third and fourth general principles of organization—(3) complete circle of responsibility, (4) specialization—must

be applied to each specific job. One example will serve to illustrate the significance of the application of these two principles.

From the statements made by the divisional heads, it was discovered that the members of the selling force were claimed as:

1. Service division representatives;
2. Merchandise division representatives.

Should each of the two divisions have a responsibility over the salespeople or should one division have a complete responsibility over the sales force and supply the information required by the other one? The answer is not easy. And upon the differences of opinion which exists in this and similar questions, two completely distinct philosophies of organization have been built. The general manager must decide the answer for his own organization.

From an analysis of the claims of the division heads it was clear that in several instances judgments were made on the basis of certain facts and surmises modified by other facts and surmises. The application of the fifth and sixth general principles—(5) judicial judgment, (6) checks and balances—relates to the question of whether or not this modification should be made in the mind of one man, or by means of a conference between two or more men, each of whom is a specialist on one side of the case, each of whom checks the judgment of the other. Again the question is not easy to answer; but again the general manager must determine the application of the general principle to his own business in making a decision as to the form of his own organization.

Even within the general form of organization which may be established, there will be variations due to natural differences in men. It is obvious that these must exist. Organization is not a mold into which an inanimate substance like cement or molten steel can be poured to take a fixed shape.

Conclusion.—It should be clear that there is no one right form of organization for the retail business. That form should exist which is best fitted to the job and men.

Department store organization is in principle one of the strongest in industry. There are four divisions, each of which can become the guiding spirit, and all of which, if effective and coördinate, guarantee and check the operations in a way unparalleled by other businesses.

The oldest division is that concerned with buying and selling. Service, publicity, and controlling are relatively recent developments. As these latter three grow in importance and power, it will become increasingly important to limit the activities of each division and coördinate the work of all in order to avoid friction and obtain coöperation.

The retail business is likely to increase its strength not only through consolidation of stores into groups, but also through internal development.

Naturally and economically a business of great stability, the department store gives promise of enhancing that stability manyfold through the security that is inherent in its form of organization.

CHAPTER III

GENERAL MANAGEMENT

"WHERE MacGregor sits, there is the head of the table." The MacGregor of the department store is known by many titles. Sometimes he is several persons occupying several chairs around the table; and not infrequently he sits in solitary splendor at a table that has no other chairs, but only a row of push buttons with which to summon a multiplicity of subordinates.

The MacGregor of the Scotch catch phrase represents the head of the business. The head of the department store is not always one person, or one title, or one job.

The term "general manager" may be substituted for our friend Mr. MacGregor, and his job may be defined arbitrarily as head of the department store as an operating unit. For the purpose of this study, the organization entity—whether it be one man or a group of men—which directs the operation of a department store is neither identified nor concerned with the department store as a legal or financial corporate being. Actually of course the general manager is dependent for both his tenure of office and his powers upon the stockholders and their representatives, the board of directors. It is assumed, however, that the reader has no primary interest in the corporate structure of a department store, which in principle differs but little from that of any other industrial unit. It is likewise assumed that it is the operation of a department store that is of chief interest. And for purposes of simplicity the operating head of a department store is labeled "general manager."

Not always is the head of the business called "general manager," nor is the title General Manager always applied to the office

of the chief executive. In some stores "general manager" is the title of what is considered in this study as the office of store manager, the real function of general management being in the hands of the president or "the firm." And there are instances where the function of general management is distributed among the recognized leader and his chief lieutenants. There are those organizations the real leadership of which is exercised by a committee of divisional chiefs with or without the companionship of a superior officer called the general manager. There are other organizations in which there is no title of general manager, the function of leadership being combined with the responsibility for directing an operating division.

The multiplicity of titular labels for the head or heads of the department store, and the variation in the conception of the job of leadership which exist have a natural antecedent in the nature of the business.

By and large the management of the department store is still in the hands of its owners. Usually those who built the business still direct its operation; or the second generation has inherited the ownership and succeeded to the management. There is little difference in the personnel of stock owners and operating chief executives.

As a result the characteristics of the owners determine the nature of the organization and the functions of general management. The one-man business, the combination of general management and divisional operation, the coincident control by two or more men—brothers, partners, or stockholders—even the committee system of general management, find their bases in the fact that the organization structure has grown to suit MacGregor's characteristics. Even the delegation of general management authority to divisional managers has resulted from the owner's desire to play or to be relieved of the pressure of intensive operation. At other times the problem of creating a single unit of general management is aggravated by the succession of family members to stock ownership and coördinate relationship over which the bridge of a superior office of general management

wabbles with such evidence of weakness that even though it is labeled general management, it is a commonly accepted fact that the bridge will bear no weight of traffic.

The conditions which are responsible for the variations in the existing types of general management are real and cannot be dismissed with a wave of the hand. In fact, it is doubtful if they should be altered too radically, for, after all, a job to be well executed must either be equipped with the proper person or suited to the person who fills it. And inasmuch as the occupant of the office of general management is the head of the business, it is likely that the job must suit his capabilities and desires.

Such a conclusion would dismiss further consideration of the function and organization of general management were it not for three reasons. The first is that there may be some value in holding up a laboratory analysis of what elements should be included in the job of general management. These elements may have become a bit befogged through the evolutionary development of men and organizations.

The second reason for analyzing the functions of general management lies in the willingness of many chief executives to make use of information—if it is valid. Such a burden is upon the content of this study. Any study of organization must, perforce, include an analysis of the leadership of the organization, and the assumption of the task of making an organization study creates the necessity of assuming the burden of attempting to present a reasonable case.

And there is a third reason which justifies a study of the function of general management. Organization personnel changes; even the leaders change. Original partners or individual owners must be succeeded. Growing numbers of successors cannot continue to split a business kingdom into an ever-increasing number of loosely knit quasi-independent principalities.

So long as the creative genius which built a business is in charge, it may be safe to modify the organization to fit his peculiar requirements. But organizations once built cannot be safely revolutionized with each change of management. And safety in

the long run requires that the leadership of the department store shall be vested in a man fitted for the requirements and responsibilities of the job; and not in a man to whose capabilities the job is fitted.

The character and personnel of a department store organization represent the mechanism by which the head of the business wins lasting success for his institution. His conception of his own job will determine in large measure the type of organization he will build. And the nature of the organization which he develops will in turn determine to an important degree the character of his own job.

The Functions of General Management.—It is therefore essential for an organization study to start with that which is responsible for the purpose of organization—viz., a successful business. One might object to the arbitrary choice of the term "general manager" as a title for the executive head of a department store. No one can challenge the necessity of leadership in a department store organization. And it is to the function rather than to the title or form of leadership that attention is directed.

The general management—or general manager—of a store is responsible for:

1. Net profits
2. Growth, and
3. Permanence

These three terms—net profits, growth, and permanence—cover the purpose of every policy and operation of the department store. Location and initial mark-up, organization and net sales, expense and good-will, buying and delivery, incongruous as they may sound in pairs, have as their purpose the building and maintenance of a business that will hold its place in the buying habits of a community and return a reasonable net profit to its owners.

As an individual or as a small group of individuals, general management can create a well-thought-out, well-written set of

policies. As an individual, general management can construct and equip or direct the construction and equipment of a model building. But the effective use of that building and the adequate operation of those policies will depend upon the personnel and the form of the organization which general management builds and maintains. The circle is completed by the inspiration, leadership, and supervision which general management accords to the human machine it has developed for the successful operation of the business.

It is fair to say that in order to insure to the business proper net profits, adequate growth, and substantial permanence, general management must fulfill the following functions:

1. It must develop the proper policies upon which the business should be planned and operated.
2. It must provide and maintain proper location, building, and equipment.
3. It must determine the nature of the responsibilities and powers to be delegated to its organization units.
4. It must provide the most effective relationship between the responsibilities and powers of its organization units.
5. It must provide the proper human material for the fulfillment of the functions delegated to its organization.
6. It must assure itself of the proper fulfillment of the policies through adequate supervision and inspirational guidance of the work, results, and relationship of the organization it has built.

Of these six divisions the last four are definitely concerned with the organization; the first two, although they can exclude the use of the subordinate organization, are unlikely to do so.

Both the provision and maintenance of the proper location, building, and equipment may require the farsightedness of the general manager, but the advice of the operating departments must be used if the conclusions are to be properly interpretative of the actual operating requirements. Policies are tied up too closely with operation, both as a result and cause of operating results, to

eliminate their relationship to the organization. Moreover, upon the form and honesty of policies will depend in a measure the form of organization.

The Building of the Organization Structure.—It can be assumed, therefore, that for the existing store the most important function of general management is the building and direction of an organization mechanism. Many forms of organization exist. A recital of the variations involves either a substantial catalogue of facts or a fair-sized encyclopedia of reasons. Many of the actual variations have been both stated and discussed in the treatment of the four divisional groups found in most department store organizations. For the moment it will suffice to say that general management will insure the net profit, growth, and permanence of the business most adequately by delegating the execution of the policies to four chief divisions:

1. Merchandise division
2. Publicity division
3. Store management division
4. Controller's division

Such a statement is of course subject to the challenge which is applicable to any arbitrary conclusion. But even though it is stated first, it actually comes as a conclusion to thorough and, it is hoped, valid reasoning.

The division of the department store organization into its four coördinate units of merchandise, publicity, store management, and controlling is by no means rare. In fact, such a plan of organization is pictured in the organization charts of many progressive stores. However, the practice is by no means general. And even those stores which portray the plan fail for many reasons to maintain the coördinate character of each of the four divisions.

The reason for the hiatus between the plan and the fact lies in the type of men who head each division, the character of the responsibilities assigned, the hobby-ridden or operating responsi-

bility undertaken by the general manager, or the distribution of members of the firm usually within the merchandise division.

So frequently does the fact of coördination of the four divisions fail to live up to the plan, and so important is the very existence or failure to exist of a coördinate form of organization, that great emphasis has been placed upon this point in determining the function of the various divisions of the business; and perhaps a needless repetition may be imposed upon the reader by an analysis of the factors of general management which suggest the creation of four really equal powerful divisions of the business.

It will be generally agreed that no one man can run any business enterprise other than the smallest unit without the aid of executive assistants. If we attempt to build a department store organization upon the basis of supplying operating assistants to the operating head of the business, the result will be quite different from a plan based upon a series of jobs to be performed and the determination of the best organization to perform those jobs. In the former case we have a surgeon who does the operating and each of whose assistants has direct contact with him, furnishing instruments, material, an anæsthetized patient, and news concerning that patient. There are such department store organizations; and in them we find the general executive taking an active part in the operating details, receiving information and service aid from a large number of minor executives each of whom has little if any power, and all of whom report directly to MacGregor. Such organizations are usually termed "one-man organizations". They are marked by the lack of strong men outside of the chief and by the superlative strength of the chief. They are usually highly successful because their results are direct products of a master mind. The disadvantage of such a plan of top management lies in the possible lack of balance which exists in the operating phases of the business. The danger lies in the difficulty of assuring permanency because of the problem involved in replacing a strong man who has built an organization to aid him by one who must step into a situation already created, and

into an organization developed to meet the peculiar needs of a striking but nevertheless different individual.

For the store of fair or large size the plan of the one-man organization has certain other inherent weaknesses. The entire organization rests upon the point of one man's strength like an inverted pyramid resting upon its apex. It is inevitable that in such an organization a mass of detail must become the intimate concern of the chief executive or must go without much supervision of any kind from the general manager.

One man has only a limited amount of strength and time, and the imposition of the detailed supervision of many departments may impose so many administrative requirements that the creative, farsighted functions of the general manager will be exercised either not at all or in those fleeting moments when the flow of detail stops or is dammed up.

There are fundamental changes taking place in the field of retailing. The nature of these changes and their possible relationship to each individual business institution are worthy of careful consideration. The average general executive who builds his organization out of a large group of captains, with neither majors nor colonels, will find little time to look through the window at the dream picture of what is happening and what he must do, other than the daily requirements, to hold his place in the economic parade. The assumption of responsibility for a mass of detail not only will steal the time which should be used properly for star-gazing, but is apt to destroy the perspective necessary. The nose that is always on the grindstone may take on a sharp edge, but it is likely to lose its keen sensory quality. It is dangerous to fail to see the woods of economic transition for the trees of administrative detail.

The general manager who creates for himself a large group of operating assistants usually undertakes an essential operating function. That function is ordinarily merchandising. The very consolidation of merchandising with the office of general management manifestly establishes merchandising as the predominant activity. Publicity, service, and control become subordinate in

fact if not in theory. Merchandising is the most important function, but there are, as will be seen, several conflicting fundamental policies of merchandising which should not be grouped together as the unified job of one operating division—even if that division is under the direct management of the chief executive.

The general manager who is directly concerned with the detailed operation of the business, will find himself straddling established policies upon a bridge of compromise built by the demands of daily routine and the continuous settlement of individual problems.

And finally it is wise to emphasize the fact that inasmuch as the permanence of a department store depends upon its personnel, the one-man organization gives little assurance of such permanence. There is little prospect of continuity of skillful management by able men, because there is little chance for the development of strong men.

The development of the small enterprise into a large and imposing store was possible only if the chief executive was strong—strong either as a leader and director of men or as a doer and human engine capable of carrying a tremendous load. With the department store of large size an existing fact, there is tremendous risk in the system of trial and error which places a large business in the hands of one man asked to fulfill the job of his genius predecessor and running the risk of rattling around in his inherited shoes like a pea in a ballroom.

The organization that is built to fit the individual needs of each general executive who assumes command will be successful only if each new leader is the same type of rare genius that he succeeded. Otherwise the weaknesses of such a plan over the long lifetime of a corporation may dissipate the strength of a business created by a great leader during his relatively short period of office. Modern stores are large industrial units. Their operation requires the proper handling and coördination of many details. The head of the department store has a big job to fill; and he must fill that job effectively if the store is to enjoy permanent success and proper growth.

It is necessary, therefore, to have as an occupant of MacGregor's chair a man who can capably fill the needs of the office symbolized by that seat of honor. And that in turn requires a careful survey of those requirements for which the executive is chiefly responsible. Moreover, the general manager must build that organization which will best assure to him the success of the enterprise which he is piloting.

It has been seen that the job of the general manager is to insure net profits, growth, and permanence, and the general manager must build that type of organization which will aid him in insuring those three requirements.

Most of the actual operation which is responsible for this triangle of success must be vested in the hands of the organization. The general manager will determine which operating policies offer him the greatest chance of success. He must delegate responsibilities to his subordinates and he must check the results in contrast to the policies to insure himself of the proper operation of his organization machinery.

Policies and Organization.—The first job of the general manager, therefore, is to determine the policies of the business. Those policies must exist in fact and be used as a basis of action even though they may not be written or codified. They should be written, because once established they serve several purposes. *First,* they give a constitution of character for the business—a personality which will determine the place in the community which the store is trying to win. *Second,* a written set of policies determines the job to be performed, offers the basis of determining the machinery necessary for the conversion of those policies into fact—to each policy there can be attached the method by which it should be effected, and the organization unit to which the responsibility for fulfillment should be assigned. And *third,* the written policies offer an excellent inventory of the factors to be checked periodically.

Policies should not be static because business is not. Nor should they be empty phrases written as a literary effort and

serving as impressive evidence of progressiveness for the casual visitor who comes to see what the store is doing. No policy should exist, or at least be written down, unless the machinery for its fulfillment and checking also exists. Nor should policies be established unless the responsibility for their fulfillment is assigned to men able to insure performance by means of proper equipment in the way of ability, method, and power. To combine in one organization unit the responsibility for fulfilling two policies of contradictory nature is to shackle or even paralyze one by the overpowering force of the other. And many policies of the department store are completely opposed to others of equal importance even though all have as their unified aim the profit, growth, and permanence of the business.

Obviously the obtaining of net profit is an essential policy; and every customer-service policy, no matter how desirable, which requires expense is an enemy of at least the immediate profit to be derived. Adequate initial mark-up is a basic requirement for net profit—a thoroughly exercised underselling policy may convert that adequate initial mark-up into an inadequate gross margin; or a severely maintained mark-up policy may make an underselling policy a matter of words alone. Complete assortments of stocks represent strong service and publicity appeals, but they may result in slow turnover and excessive mark-downs. Policies which are so contradictory as to be impossible of accomplishment should not exist. Policies which, though antagonistic, represent essential phases of the business, and which under highly efficient management are possible of accomplishment, should be assigned in such a way as to offer the general management a fair assurance of their effective execution.

Delegation of responsibilities should be assigned in accordance with the specialization which each organization division of the business is developing. In so far as is possible, the assignments made should represent a complete responsibility that can be measured. However, it is equally essential that the work of each division should be so related to the activities of the others that effective results from any one will require efficient operation

on the part of the others. In that way the organization units themselves will check one another, maintain a pressure for results, and relieve the general management of the necessity of either expensive inspection systems or dangerous delay in determining inefficiency.

Where the faithful execution of a policy by one division of the business makes impossible the satisfactory fulfillment of another policy by a different division, the matter should be presented to general management for consideration and action.

The answer may lie in an attempt to improve operation so as to make possible the permanent marriage of two incompatible but equally desirable elements; it may lie in the temporary or permanent subordination of one of the policies to the requirements of the other. But whatever the answer, it must be made by the general management, and the assignment of policies must assure the general management that it, and no other agency of the business, will have the right and responsibility to settle the issue.

The policies of the business, therefore, define the jobs that the general manager thinks are necessary to assure his business of adequate net profit, growth, and permanence. And the machinery of organization which fulfills those policies must be established so that the policies may be assigned for execution upon the basis of:

1. Specialization
2. Complete responsibility
3. Checks and balances.

In attempting to determine what general type of organization should be built to satisfy these requirements, it is necessary to present at least a partial list of the policies, written or unwritten, upon which the progressive store of reasonable size operates. Such a list might include the following:

1. The class of trade to which the store will appeal;
   i.e. price lines, not only at the opening of the store, but as

economic conditions change or character of location is modified.

2. The chief appeals which the store will make to its patronage:

   A. Price
   B. Service
   C. Complete stocks
   D. Style leadership
   E. Dependability

3. The general type of advertising copy:

   A. Aggressive
   B. Dignified
   C. Institutional
   D. Comparative prices
   E. Stunt advertising
   F. Sales *vs.* regular offerings
   G. Distinctive, even bizarre set-up
   H. Truthfulness

4. Sale of store brands *vs.* national brands

5. Price maintenance *vs.* price cutting on national brands to serve as leaders.

6. Lines to be carried:

   A. Furniture
   B. Clothing
   C. Piece goods
   D. Men's wear
   E. Etc.

7. Leasing of departments

8. Merchandise policy:

   A. Complete stocks *vs.* small stocks and rapid turnover;
   B. Job lots, large special purchases *vs.* steady business.

9. Within policy laid down, right goods, at the right price, in right quantities, at right time.

10. Initial mark-up

11. Mark-down allowances

12. Prices of merchandise compared to those of competitors' offerings.

13. Service to customers:
   - A. Bureaus of information and shopping
   - B. Selling service
   - C. Leniency of
     - (1) Charges
     - (2) Returns
     - (3) Adjustments
   - D. Delivery
     - (1) Area covered
     - (2) Schedule of
   - E. Convenience and comfort of shopping

14. Sales promotion:
   - A. No sales
   - B. Department sales
   - C. Clearance sales
   - D. Frequent store-wide sales
   - E. Outside selling agencies
     - (1) Branch stores
     - (2) Contracting
     - (3) Mail order
     - (4) Individual agents

15. Personnel:
   - A. Promotion from within
   - B. Character of training methods
   - C. Nature of welfare work
   - D. Hours of employment
   - E. Methods of payment
     - (1) Wage levels
     - (2) Bonus plans
     - (3) Commission plans

16. Expense limits

17. Credit policy:

A. Cash *vs.* charge
B. Encouragement of charge accounts
C. C. O. D.
D. Installment selling
E. Lay-away
F. Requirements for customers' credit accounts.

18. Real estate:
A. Location, present, and future requirements
B. Rebuilding

19. Association with outside groups:
A. Joint purchases
B. Exchange of figures
C. Consolidation

20. Finance:
A. Bank loans
B. Sale of securities
C. Discount policy
D. Cost *vs.* retail inventory method

Such a list is by no means complete, but it is sufficient to be representative of the questions which the general management must answer. It is possible to assume that in the original establishment of a business the chief executive can answer, or attempt to answer, all of the questions. But in an established business even the most general of the principles, upon which the business is to be operated, must be determined upon the basis of facts and conferences. The general executive should seek and use the information compiled and the opinions expressed by his important executives. But the final decision must be that of the general management.

Many of the policies which are determined by the general management must serve primarily as schedules of operation for the organization units.

It is possible to rearrange the policies already listed into the following groups upon the basis of specialization:

1. Merchandise:
   A. The right goods, at the right time, at the right prices, in the right quantities. The fulfillment of this policy requires all of the machinery of merchandise control; and depends upon fulfillment of the policy of
      (1) Class of trade
      (2) Complete assortments
      (3) Turnover
      (4) Lines carried
   B. Job lot purchases *vs.* regular merchandise
   C. Initial mark-up
   D. Competitive prices
   E. Mark-downs
   F. Outside selling agencies
2. Publicity:
   A. Form of appeal
   B. Type of copy
   C. Competitive prices
   D. Class of trade appealed to
   E. Sales promotion
3. Service:
   A. Selling service
   B. Shopping and information bureaus
   C. Comfort and convenience
   D. Delivery
   E. Adjustments
4. Personnel:
   A. Employment, education, welfare, payment plans.
5. Financial, recording, and control:
   A. Credit policy
   B. Mark-up adequacy
   C. Mark-down limits
   D. Expense limits
   E. Recording of all operations

6. General management:
   - A. Bank credit policy
   - B. Real estate
   - C. Leased departments
   - D. Financial policy
   - E. Association with other stores

It would appear, therefore, that the general management will assign the fulfillment of the policies of operation to five subdivisions of the business. Combining personnel with service, the reasons for which are explained in Chapter VI, there would be suggested four divisions of the business:

1. Merchandise
2. Publicity
3. Service or store management
4. Recording or controlling

Actually these four divisions exist in most progressive stores.

The relationship between them varies. In the detailed discussion of each division which follows, it will appear that the four are made coördinate in power. This plan is reasonable from the point of view of general management. In the first place, such an arrangement seems to offer the promise of the most effective operation of each division, and for that reason it should win favor with the general management. In the second place it represents a simple and adequate distribution of the work among four strong men, thereby relieving the general executive of detail and offering him the aid of highly trained specialists. And finally the coördinate arrangement of the four divisions assures the general management of adequate protection against the submergence of one important policy by another, and gives him a regular day-to-day check on the operation of the business.

Let us see why. To the merchandise division is assigned the job of securing the right merchandise. To the publicity division is assigned the job of bringing people into the store to buy through the right appeal. If truthfulness in advertising is a policy—and

common sense as well as ethics demands that it shall be—the printed message must be justified by the merchandise. The publicity division should check the merchandise and its fitness for the needs and demands of the desired trade. Although the merchandise organization should not buy what it should not offer for sale, men and women are human; and the protection of the general manager's policies requires that what is wrongly bought should not be offered for sale. Having created a publicity organization to bespeak the store's wares to the customer, the general manager can protect those customers against disappointment and his store against ill-will, by permitting the publicity organization to censor all merchandise offered through advertising. This assumes a coördinate relationship between the merchandise and publicity divisions.

The policies of adequate initial mark-up and meeting competitive prices are of interest because they involve the four divisions. This dual problem of selling as cheaply as, or more cheaply than, competitors and at prices resulting in the required profit, is and must be given to the merchandise division. If this division is superior to the buying organizations of all other competitive stores, the trick is simple. But if it is only as good as others, or not quite so good, then at times either price competition or adequate profit will go by the boards. If the general management is really desirous of assuring itself of a favorable competitive standard and a necessary profit, it cannot afford to leave this difficult combination of requirements in the hands of the merchandise division alone. The responsibility must be put up to the merchandise organization; but the protection of the customer (and therefore the good-will of the store) and of the net profits of the business requires constant watching by other units of the organization. To the publicity and service representatives there should and will come indications of the competitive standing of the store. These two organizations, particularly the publicity division, should check the competitive standing of merchandise offerings. To balance this pressure—so essential as a guard against the reputation of high prices—the responsibility

for constantly checking initial mark-up, mark-downs, and gross margin should be delegated to the controlling division. The choice between low prices and low mark-up on the one hand, and high prices and fair mark-up on the other, should be settled only by the general manager. He can assure himself of protection against the danger of either high prices or low profits only if he establishes the four divisions of the business on a coördinate basis.

To the store-management division the general manager gives the task of assuring proper customer service, and to the controller he assigns the job of conserving the elements of net profit. These two organizations may meet in friendly but essential differences of opinion in the fulfillment of these two policies:

1. Proper customer service
2. Proper expense control

At the present time nearly all stores combine in the store manager's division the responsibility for service and expense control, wherever there is any. Whether the service rendered by the department store is equal to that of competing specialty shops is not known; but it is known that so-called luxuries of service have crept in and it is equally well known that the expense of retail distribution has mounted steadily during a period when the fixed charges have been decreasing, due to increased volume. It is reasonable to expect that the mixture of expense control and service will result in the emphasis of one and not both. Once in a great while the store manager will be able to juggle these antagonistic elements successfully. But ordinarily the store manager will impose upon his service standards the paralyzing hand of too rigorous expense control; or he will discard expense control by his emphasis upon service.

General management must realize that the maintenance of satisfactory service is essential for the good-will of the business, and that the operation of the business within reasonable expense limits is a prerequisite of the life blood of his business—net profit. General management under ordinary circumstances

creates no protection for both the service standards and expense limits by delegating both to one organization division. Merging the execution of the policies of store service and expense limits in the responsibilities of one division will offer to the general management an average result determined by the operating compromise of the head of that division. Only by actual inspection of the service and post-mortem study can the general management disentangle the two policies from the meshes of each other's grasp.

The protection of these two essential requirements of growth and net profit will come most effectively from the assignment of each to one division as a single responsibility. In that way service, being a responsibility of one division, will check the harmful results of expense control. And expense control, being a responsibility of a separate organization division, will check the dangerous encroachment of service expenditures upon net profit. The general management will be assured of having each policy safeguarded. It will know the specific conditions of each; it will avoid the impractical combination of controlling expenditures and maintaining service through the expenditure of funds. Issues will arise. The choice between maintaining service and limiting expenses must be constantly made; and if prices decline the choice will require increasing attention. That choice is of fundamental importance to the business because upon service may depend good will and upon expense control may depend net profits. In delegating the settlement of an issue of such a nature to one operating division, the chief executive is delegating one of the most important functions of general management. If general management is to attempt to uphold and improve service and to operate at a profit, it cannot be satisfied with a blanket order to give good service and to operate economically. It must make service the primary job of one division and it must make expense control the primary responsibility of a separate division of the business. Then economy will result from skillful operation and not through inadequate service facilities. Or if either service or expense control is to be sacrificed it will be general management that will

make the decision, for it is general management that is finally responsible for the results of that decision.

The growth of system has given some store owners more than a little concern. They express a fear that the inspirational and ingenious qualities of the merchant are being replaced by the use or overuse of statistics. They feel that the buyer or department manager is thinking in terms of "open-to-buy" and not in terms of merchandise. The fear is not too far fetched, but the reasons do not lie in the overemphasis of statistics, but in the faulty mixture of organization activities.

Control is essential and artistic merchant qualities are necessary for the efficient operation of the business. Buyers should be buyers and sellers, and statistics should be used as aids to buyers and as controls by general management. The buyer should learn how to plan purchases, so that stocks may be complete in assortment and satisfactory in style and price. But once stock is purchased, control methods should not impose an insurmountable task on the maintenance of stocks of wanted merchandise.

The policy of the right goods and complete stocks may conflict with the policy of turnover and low mark-downs. Selling and buying enthusiasm is necessary for business. But unjustified selling enthusiasm may create overstocks and large losses. The merchandise organization and the publicity division that stimulate volume should plan and work for increased business. But the general management must for its own protection assure itself of a conservative point of view that will measure selling and buying enthusiasm against past experience and possible losses. To combine the conservatism of skepticism with the enthusiasm of sales promotion is to court either "successful" fulfillment of a retrogressive program or the unfortunate necessity of expensive clearance sales. In the store which is having constant striking increases in volume there is little danger from rampant enthusiasm. But for the store that is relatively stabilized and must fight for volume and net profit, unbridled enthusiasm means huge mark-downs, and unhampered pessimism means decadence.

General management should give to the controller that seat

at the table of council labeled conservative and skeptic; and in the merchandise and publicity organizations it should promote and encourage enthusiasm. For itself it should maintain control of the choice between leaning either to conservatism or to liberalism in the planning of stocks. The issue, if there is one, should come clearly before the chief executive as presented by both the conservative and the liberal points of view of the business. Usually there will be no issue. But where there is a fundamental difference of opinion between the control and the sales promotional (including merchandise and publicity) divisions of the business, that issue must be settled by the general manager. Complete stocks are essential for the volume and growth of the business. Rapid turnover and small mark-downs are essential for the net profits of the business. Where there is or may be conflict between net profits and volume and growth, the settlement of that conflict is a prerogative of general management and cannot be delegated by it.

It would appear, then, that the general management, to insure the adequate fulfillment of the essential operating policies of the business, must create four divisions, each of which is coördinate with the other three, and each of which has one chief purpose to fulfill—one chief motive of activity.

Obviously the creation of four coördinate divisions of the business requires the existence of four men in the organization each of whom is fitted by ability, experience, and personality to take his place as an equal of the other three. General management cannot make equals out of men who have not the capacity to be equal. It must modify its organization to fit its existing personnel. Such modification is essential, but inasmuch as it depends upon the specific situation existing in each store there is no way in which a study of this character can provide for the necessary adjustment. Moreover, if the task is there to be completed and if the coördinate form of organization represents the best method of insuring net profit, growth, and permanence, then general management must assume as one of its important responsibilities the obtaining of men who can fill the offices of the

four coördinate divisional managerships. In the long run men must fill the jobs, for the requirements of the job are imposed not by friendly hands or family ties, but by severe and impersonal competitive conditions.

It is not only wise, but essential, that the organization created by the general management make provision for the conditions of personnel which exist, but every effort should be made to support the organization which exists with such aid as the necessities of the job demand. And constant effort should be made to convert the existing organization into one which assures the general management of the most adequate human machinery for the permanently successful operation of the business.

Other Organization Responsibilities.—Having developed the general plan of organization divisions, delegated the necessary responsibilities to each division, and obtained the proper personnel for the chief divisional offices, the general management has three more tasks to fulfill in its relationship to the oganization structure. It must assure itself that the type of organization plan of each division is conducive to the best fulfillment of the responsibilities of that division. It must develop those operating methods and procedures which will provide the most effective means of operation and convert a theoretical organization plan into an actually operating organization machinery. And finally, general management must supervise the results of the organization and provide that inspirational quality which is just as essential to the winning of industrial battles as it is to the successful waging of international wars.

Intradivisional Organization.—The internal organization of each division represents that mechanism the operation of which must produce satisfactory results. The single office of divisional managership can no more fulfill the responsibilities of each division than can the general manager satisfy the operating requirements of the entire business. The general management must make itself independent of the permanence of any one individual or group of individuals. The specialization which the

chief executive seeks to establish as an operating basis for each of his major divisions must be subdivided into more minute but equally essential specialization within each of those divisions.

In the publicity and controller divisions the general outline of internal organization is relatively simple. The fundamentally important requirements for those two divisions relate to the responsibilities and powers assigned and to the relation which each of them bears to the three other divisions of the business. Upon the functions of the publicity and controlling divisions and upon the relation of those functions to the other units of the organization will depend both the type of men who will head them and the form of their internal organization.

The merchandise and store-management divisions represent somewhat different situations. Here too the function is of fundamental importance, but in the case of both divisions there are many ways of building the internal organization for the fulfillment of the assigned functions. The store-management division has been the most generally neglected branch of the business, although its operation is responsible for the expenditure of huge sums of money and for the convenience of and service to the customer. Good-will and economy are dependent upon the effective operation of the store-management—and general management cannot afford to neglect this important element for the assurance of net profit, growth, and permanence of every retail institution. General management must direct its attention to an inventory of the present anomalous situation which exists in the store-management divisions of many stores, to the almost impossible compromise that the store manager's functions demand, to the lack of a unified *motif* of operation, to the problem of what type of experience and ability will offer the best human material for store managerships. And finally general management must be a constructive force in creating the best type of internal organization for the execution of the store manager's responsibilities.

Although the merchandise division has been tremendously progressive both in technique and in the development of method,

there is in this division, too, a necessary task for general management. The variety which exists in the organization plans of the merchandise divisions is evidence of the need of study. It is probably true that there may not be only one right plan. But undoubtedly there are not ten or twenty correct methods of organizing the merchandise division for its permanently effective operation. The allocation of statistical activity and artistic skill is an important element. The choice between complete, or practically complete, dependence upon department buyers and the realignment of activities in order to require of the buyer less of that all-round merchant ability that is so rarely found, so expensive to buy, and so disastrous to lose, is not merely an academic question, but one of vital importance to the general management interested in permanent success as well as immediate profit. The use of divisional merchandise men and their places in the organization line-up are determining factors in the character of the contribution which the merchandise division will make to the continued prosperity of the store. And finally the necessity of having a strong general merchandise manager—and what type of executive he should be, if necessary at all—are matters in which the general management must be an active participant if it is to convert its declaration of policies into a live and functioning schedule whereby promise may be truly fulfilled.

So long as human beings cannot be replaced by machine methods, and so long as personnel is the overwhelmingly important factor that it is in department store operation, just so long must general management make as its first and most important concern the construction and maintenance and operation of the most adequate organization plan possible.

Relationship to Operating Procedure.—But an organization plan is a static picture until the handle of activity is turned and the human figures in the picture begin to move and do things. General management cannot be satisfied to draw a blue print of how the organization looks in terms of authority relationships. It must make sure that the methods and daily routine are such that

the predetermined plan of organization actually functions. It must provide for the proper process of operation. The sequence of actions taken by each organization unit and sub-unit must be in accordance with a plan so that the desired relationships between the functions of the men and women of the store become actual relationships. Papers must be routed, decisions rendered, checks maintained in ways that will assure the proper relationship between the functions of controller and store manager, publicity manager, and merchandise manager, buyer, and divisional merchandise man.

Although general management does not have to concern itself with most of the intradepartmental operating processes, there remains for it a huge task in assuring the provision of an adequate process for interdepartmental operation. That process is the life-blood of the institution and refusal to accept the burden of the task of providing the proper process does nothing to simplify the problem. The task must be performed, and without a thorough knowledge of the operating procedure the general management is driving a machine which may stop because spark plugs are fouled or missing or the transmission fails to function. If general management is to be able to anticipate the load which the organization machinery can carry, it must know its design and how it should function.

The general manager who proceeds upon the attitude of "Boys, something must be done," or, "It is your job to do this somehow," may build strong men, but the failure to accomplish the "something" is his loss as much as it is that of his lieutenants. The establishment of a schedule to be fulfilled is advisable, even essential, but the results will depend upon method. And if general management is responsible for results, it must be interested in method.

Administration, Inspiration and Creation.—The development of the proper process of operation will provide the general management with the necessary equipment for checking results, directing the organization, setting tasks, and inspiring effective execution of plans. The study of sales and merchandise plans,

expense budgets, the adjudication of differences of opinion between divisional managers, the examination of sales, profits, advertising, and expenses, will keep general management informed as to the output of the organization and will direct attention to policies which must be altered, methods which must be changed, organization plans which must be modified, and personnel which must be replaced.

The degree of detail to which general management should go in the receipt and study of reports depends upon the type of general management, the character of the store, and the kind of organization in plan and in personnel. There are times, either during a reconstruction program or when special attention must be given to one branch of the business, when the supervision of operation by the general management must of necessity be scant. Generally speaking, the general manager should not interfere with the daily and detailed activities of the four divisions. To do so will kill all sense of responsibility and most of the initiative of the divisional managers. If the organization is properly constructed, the checks and balances which exist between the functions of the four divisions will force to the attention of the general management matters of importance in the regular routine. Periodic reports and conferences will furnish the necessary machinery of supervision. The policies which the general management sets forth as essential requirements for the operation of the business will provide the best list of factors with which the general management must supervise the operation of the business. For it is obviously essential for the general management to check the fulfillment of the policies which it feels are necessary for the insurance of net profit, growth, and permanence.

Up to this point the function of general management has to be limited pretty much to the administration of the business. The modern department store, particularly of large size, is so complicated and involves so many separate operations that the general management that has not built a well-planned and strongly manned organization will find itself buried in detail or discover that important operating details are not satisfactorily executed.

Both results are equally bad. The latter means the loss of energy or the existence of waste. The former means the lack of time on the part of general management for consideration of the creative and progressive requirements of the business.

In the days of rapid development the chief executive had to create, because he was building new. The danger to-day lies in satisfaction with a well-operated business the administrative details of which are adequately taken care of. American business economics are changing too rapidly to offer safety to the static industrial institution. The slogan of the New York store which announced to its patrons, prior to moving further uptown, that "In order to stand still in New York it is necessary to keep moving," was stating an axiom not only for location, but for method. General management must be alive to changes in retail location. Where a change of location can be advisedly prevented, general management should coöperate in the necessary preventive steps. Where a change of location is inevitable, general management should protect its institution in making the necessary move in ample time—and in arranging for necessary construction and financing.

In all construction and financing plans of a permanent and important nature, general management should assume the major and almost complete responsibility. To delegate the responsibility to divisional managers means either the existence of superfluous time on their part, or distraction from the essential day-to-day operating requirements of the business. In so far as possible, expansion and development programs should not detract from the attention given by the operating divisions to regular business.

General management should be a constructive force in initiating ideas for growth. Improved policies, improved methods of operation, as well as individual ideas for the growth and profit of the business, should emanate from the creative general management. A study of internal conditions, the constant study of existing policies and results, comparisons with competitive and associated stores, and the use of imagination should supply the business with sources of adequate development.

Economic changes in either industrial conditions, price levels, manufacturing processes, or retail activity, should be watched constantly by those general managements whose specific situations are not so favorable as to make their stores independent of all external forces. The struggle of the manufacturer for the introduction of national brands and the legality of price maintenance are of importance to the retailer, and they should not go unnoticed by the general management. Changing price levels and industrial conditions are basic elements in determining expense and service policies, price lines, inventories, long-time lease commitments, or the wisdom of expansion plans. And the development of buying associations and department store consolidations is obviously of interest and moment to the general management of the individual department store.

Not everyone agrees that department store consolidation has yet proved its economic validity. Consolidation has tremendous elements of strength and it is probable that the passage of time will eliminate its weaknesses and prove its economic validity with spectacular emphasis. But associations of independent stores created for the exchange of ideas and the combining of purchases have in many instances already proved their value. The general management must study the situation and determine for itself the wisdom of such a movement, either as a competitor's example to be followed or as an original step to be taken. Once a member of such an association, general management must assure itself of that coöperative effort on the part of its organization which will obtain the greatest value. And once the wisdom of the association is proven to the satisfaction of general management, the chief executive must lend his efforts to the attempt to insure for all time the permanence of the association and the benefits to be derived therefrom.

In the association of stores which has substituted for voluntary coöperation an actual corporate control by one company, the general management of each member store should make certain that his organization is obtaining the full value of the consolidation. The central office, on the other hand, should have no direct

relationship with the organizations of the member stores other than those maintained with the consent of or actually through the general management of each store.

Prerogatives to Be Safeguarded.—General management is pictured as an active, vital force in the business. It is visualized not as an agency of absent ownership, nor as an interested spectator of the operating leadership of the business, but as a constructive, executive force of initiative, supervision, and leadership—a creator, a judge, and an administrator. Constructing an organization of strong specialists, assigning duties that represent singleness of purpose and responsibility to each division, creating and checking policies, initiating action, general management as pictured here will delegate responsibility and check results. But it will not delegate the prerogatives of general management. It will not assign conflicting policies to one division, allowing that division to compromise between them without the full knowledge of the general management. To each division it will assign the task of fulfilling policies which are compatible one with another. The conflict that exists, in fact, between the essential policies of the successful business will be created by the desire of separate divisions to uphold those policies which general management has assigned to them for fulfillment. General management will determine what compromise must be made between those conflicting issues which arise. Being responsible for net profits, growth, and permanence, general management alone must decide if occasion demands which of those must be sacrificed.

Organization of General Management.—There remains to be discussed the description of MacGregor's chair. What should be the organization plan of this general term "general management"? The following plans are discovered most frequently:

1. One man.

2. Distribution of the function of general management between an officer entitled "general manager" and a board or executive committee made up of the four divisional managers.

3. Joint responsibility on the part of one or more men for general management and one or more of the four operating divisions.

4. The division of the function between two men, either partners or stockholders, neither of whom is concerned with the operating details of any division.

The first of these plans—by which the function of general management is exercised by one man—is excellent. Such a plan follows the practice developed so satisfactorily in factory organization. If the one-man general management assumes responsibility for the headship of one or more of the operating divisions, then he no longer is a one-man general management, but becomes a one-man organization—with the weaknesses of that form which have already been described. If the general management is vested in one man who limits himself to the function of general management, then there is little chance for the assumption of too much detail. The only danger lies in the increasing desire to delegate important functions of general management to the heads of operating divisions. As age increases and the desire for relief from pressure demands consideration, the usual device of the one-man general management is not to appoint a successor, but to lighten the task by delegating general management authority to the board of managers. Such a condition immediately converts the plan of one-man general management into that plan which distributes the function among the four divisional heads sitting as a board either with or without the officer bearing the title of general manager.

General management by a board of managers is the least advisable of all. Its advantages are few; its disadvantages are many. A few of the latter will suffice. Board or committee management converts specialists into general practitioners. That may be splendid in the practice of medicine, but in store operation it means the substitution of a compromise point of view on every issue for the earnest defense of separate and clearly defined sides of an issue. Conflicting policies are not settled after the earnest defense of each by the divisional manager responsible,

but are settled by men whose specific interest in operation is compromised by their general interest as a part of general management. What chance there is for continued amicable relationship among four men each of whom fights strenuously against the desires and beliefs of the other three requires not more than three guesses. And if the relationship is amicable, then it is a question whether or not that understanding is born of that rare quality, the ability to disagree frequently and remain fully coöperative. It may be that the necessity of remaining bedfellows forces upon the members of board or committee management the desirability of reciprocity—an agreement for an agreement. The settlement of vital differences created by conflicting opinions or policies, upon a basis of trading agreement on one matter for approval of another, may be a well-recognized form of procedure in Congress, but it is not a good pattern for privately owned business. Board general management can criticize the methods of each division only with fear and trembling and usually without results. Operation is likely to be lax, particularly if one division is in the hands of a relatively weak leader, and correction is difficult. Policies are likely to be more accurately defined in writing than fulfilled in fact. The board or committee plan of general management may work excellently in rare instances, but as a basis of general procedure it does not seem advisable.

The third plan of the organization of general management is that in which the joint responsibility for general management and leadership of operating divisions is shared by one or more men. Theoretically this plan is inadvisable; practically it depends upon the size of the business, the number of men who share the joint responsibility, and the relationship among the men.

Where there is one man the plan is practical and economical for the small store. The only danger lies in the destruction of the coördinate character of the four divisions which is bound to result from the leadership of one division by the general manager. In the small store the general manager can without too great difficulty keep in touch with the details of all four divisions, and although he is apt to ride his own hobbyhorse, that horse is likely

to prove capable of pulling the load necessary for the success of the business.

In the large store, the man who assumes the dual responsibility for general management and leadership of an operating division runs more risk than does the general manager of the small store. In the case of the larger store the destruction of the coördinate relationship of the four divisions is unfortunate because the weaknesses created by that loss are not protected by the ability of the general manager to keep in touch with all of the essential details of the other divisions. As a result, the operation of those divisions must be neglected by the general manager. The policies which are fulfilled by those other divisions may become inactive through lack of time on the part of the general manager and also through the lack of that coördinate relationship which should serve to maintain the proper fulfillment of the policies of the business through checks and balances. The assumption of detail by the general manager under a plan of joint responsibility for operation and general management must impose upon him either too great a task or the substitution of administrative responsibility for a constructive contribution.

As the number of men who share the joint responsibility for general management and leadership of operating divisions increases the practical advantages disappear and the theoretical disadvantages become practical weaknesses. With more than two men sharing the combined function of operation and leadership, the plan takes on many of the aspects of general management through a board or committee. The value of the plan as it relates to the use of two men depends upon the relationship of those two men. If they are brothers or partners or associates who have learned to work well together, then the plan will work. If the choice is a compromise or a battle on every issue, the plan is of no use. So definitely is its success tied up with the personality of men, that it is doubtful whether it can be accepted as a basically sound form of permanent organization.

Even where the relationship is such as to make the plan feasible, it is advisable to distribute the responsibilities in such a way

as to offer the best chance of success. One division that can be made is finance and control as one unit; merchandise, publicity, and service as another. It does not seem logical to combine service and control. They are so violently opposed that their faithful protection would try the judicial temperament of a Solomon. If the combination of finance and control seems inadvisable, then it is possible to make finance, outside relationships, and store management the responsibility of one of the joint managers, merchandise and publicity the responsibility of another, and control a joint responsibility. The most effective plan, however, is not to mix general management and operating responsibility at all.

The fourth plan is that under which the function of general management alone is held jointly by two or more men. Again the problem increases with numbers; again the success of the plan depends upon the relationship among the men, and again the device depends for its effectiveness upon the distribution of responsibilities. There is one possibility under which there can be no objections to the plan. If the work of general management is divided into the function of administration, organization, and operation on the one hand, and the more general activities which do not relate to the organization on the other, there will be little chance for conflict. The organization will have one chief. Expansion, civic affairs, external relationship, financing, general economic consideration, and even determination of policies and creative contribution will be the concern of one man. Direction of the organization and maintenance of operating effectiveness will be the task of the other joint general manager. Such a plan, if well executed, has no evidence of weakness and is as sound as the one-man form of general management.

When two coördinate members of general management assume joint responsibility for management of the operating organization the plan is likely to succeed only in rare cases. Conflicting orders to the organization, the harmful effect of the existence of two bosses, and the possibility of political cliques can be eliminated only if the two men are Siamese twins in spirit. If the supervision of the organization units is divided between

the joint managers, the dangers just mentioned are apt to be eliminated and the plan should be workable, again provided that the two or more joint managers work together extremely well on a give-and-take basis, and not upon a basis of trading tit for tat. As in the case of the previous plan, the joint responsibility for the whole function of general management by two or more men depends so definitely upon the unusual character of the men who divide that responsibility that the plan cannot be accepted as a sound general basis of organization structure.

Although the idea of having a board or committee exercise the function of general management has been eliminated as inadvisable, it should not be assumed that the organization unit known as a board of managers or executive committee has no plan in general management. It has. The general management should maintain and use actively such an organization unit. It is the clearing house of information and it should be a vital factor in reviewing results and determining policies. Including, as it should, representatives of each branch of the business, all angles to any discussion should be available. A complete picture can be drawn from the four points of view present, and decisions and instructions should be transmitted easily to the entire organization.

It is hoped, however, that such a board will not flatten the angles of discussion or destroy the validity of the four points of view by being forced to compromise in the effort to serve as a general management. General management should do its utmost to protect those four essential foundation posts of retail success—customer service, merchandise, publicity, and control. A combined post may look stronger, but the institution that is firmly set on the pillars of security of net profit, growth, and permanence will wabble less in the winds of adversity, maintain its balance longer, and hold a greater weight of success. And general management will fulfill its function best when the store assures its success most adequately.

CHAPTER IV

MERCHANDISING

Merchandising and Industry.—By and large, the merchandising function is the one branch of industrial activity in which the retailer has outstripped his commercial and industrial companions in the chain of economic activity. Sales, publicity, and cost control have lagged behind the rapid development so evident in manufacturing plants. But in the building, maintenance, and control of stock, the retailer in general has done for years that which the manufacturer only has begun to recognize as a necessary element of operation. Manufacturing plants, able to manufacture at unbelievably low costs, able to sell unbelievably large amounts, periodically find production and sales out of balance.

The control of inventories is an important requirement of manufacturing; it is the essence of retailing. Without proper merchandising the retailer will perish; the manufacturer may be only seriously hurt. There is evidence to indicate both a growing need for merchandising on the part of the manufacturer, and his growing realization of this need. As markets lose their limitless absorbing capacity, emphasis will be placed on making what can be sold rather than selling with ease or difficulty what can be made. At that time the scheduling of raw-material purchases and manufacturing activity will be a necessary requirement for success. Mass production will lose its assumed magic and become measured production—measured by reasonable and economic sales possibilities.

The survival of American retailers with their low rate of business mortality is a tribute to merchandising skill. But the quality of that skill is by no means uniform nor is the machinery

standardized. Many methods exist; many results come forth; and there is no definite way of relating the results to the completeness or modern character of the visible machinery. Merchandising depends upon human judgment; and good judgment supported by a faulty mechanism will produce far better results than poor judgment using good machinery.

Development of Retail Merchandising.—A well-known definition of the function of merchandising is the one which says, "It is the function of merchandising to have the right goods, at the right time, in the right quantities, and at the right prices." Whether the store be highly organized or operated upon intuitive judgments, its merchandising must satisfy the requirements of that definition if the store is to be operated successfully.

But the store must do more than have the goods; it must sell them at a satisfactory margin to cover expenses and leave a net profit. Originally the merchandise organization both bought and sold goods. The antecedent of the retailer with his stock on his back did only that—he bought and sold. The development of large enterprises with specialized activities has tended toward the destruction of the unity of buying and selling. In some instances the destruction has been complete in fact; in more instances the destruction has been more complete in theory than in fact.

The degree to which this oldest of all department store functions has been modified, and the degree to which the building up of specialized activities will continue to snatch the prerogatives from the once complete autocrat of retailing—the buyer or merchant—afford a basis for interesting thought and conjecture.

Think of the work and authority of the modern controller, the publicity manager, the store superintendent! The influences upon stock purchases, advertising, personnel, as exercised by the newer divisions of the business, must be recognized as encroachments upon the merchant buyer who formerly spent money guided only by his judgment and the necessity of making a profit, planned and wrote his own advertising, hired and fired and managed his own people.

The buyer of yesterday had no divisional merchandise man and no general merchandise man to check his activity. There were no unit control systems to substitute statistics for artistry, no "open-to-buy" to impose rigorous, sometimes paralyzing limits to purchasing. A buyer bought and sold; the sales people were under his jurisdiction. At the end of the year inventory was taken and the results were good or bad.

There are stores which continue to operate, and operate successfully, that way. But the tendency is toward the analysis of the detailed job of buying, and the division of the job into its chief component parts.

Not only has time wrought internal changes upon the once all-inclusive job of the merchant-buyer, but there have been external developments of significant interest, pregnant with unusual possibilities. The growth in numbers and importance of resident buyers, centralized merchandising agencies, centrally operated leased departments, associations of stores using consolidated buying, and financial consolidation has been startling. The greatest influence will be upon the merchandise organization in general and the merchant-buyer in particular.

The problem of presenting that form of merchandise organization which satisfies most logically the requirements to be met is a complicated one. There is tremendous variety in the existing forms of organization; there are variations in the relationship between the merchandise and other divisions of the business. And finally time passes with such great speed and causes such fundamental changes in the internal and external aspects of retailing, that a picture applicable to the present may be of no use to-morrow.

It may be possible, however, to analyze to-day's conditions and study that analysis in the light of future possibilities.

Functions of Merchandise Division and Relationship to Other Divisions.—The internal organization of the merchandise division depends upon the functions and responsibilities which this division is called upon to fulfill. Moreover, it is in-

evitable that, in determining those functions and responsibilities, the relationship of the merchandise division to the other younger divisions of the business should be at least discussed and, if possible, determined.

What should be the functional relationship between the merchandise division and the controller division, the publicity division and the service division?

Almost the first fact which one discovers in even the most cursory examination of most merchandise organizations is the word "firm." Usually one or more of the owners are intensely interested in merchandising. Their relationship to the business is not regarded as an operating relationship. They are not thought of as filling some definite operating niche. They are not regarded as merchandise manager, or division manager, though they may fulfill the job of either position. Often when the merchandise manager or divisional merchandise manager is a member of the "firm" there is said to be no merchandise manager or divisional merchandise manager. As a member of the "firm" the owner is a stockholder. As an operating individual he should fill an operating job that is part of the essential organization machinery. An owner should be part of the corporate structure only if he fulfills some operating requirement. Therefore "firm" as such will play no part in this discussion, although it would be foolish to assume that the term does not represent a modifying influence on the actual business mechanism in which some positions are filled by firm members and others by corporation employees. Attention is called to this fact, although no consideration can be given to it in any impersonal study of organization. We are dealing with men as units of an organization, not as members of a partnership or stockholders of a corporation.

The Merchandise Division and the Controller.—The relationship between the well-equipped controller and the merchandise manager is somewhat difficult to determine because the job of one fades gradually into the job of the other. This is evident from the fact that in those cases where the controller is weak, the

merchandise manager has preëmpted all of his work in management and control, and he either has no relationship to merchandising or merely does some of the accounting for it. Where the controller is the stronger, he has preëmpted many of the merchandising functions, controlling stocks not only in dollars but also in units. Where both controller and merchandise manager are equally strong, there is often duplication of effort in the development of control statistics and in the use of them.

The controller has an essential service to render and one which he can render effectively only if he holds a place coördinate with that of the merchandise manager. It is essential, therefore, to define the limits of his responsibility in relation to the merchandising activity. For that purpose it is first necessary to analyze, at least generally, the elements of the old-fashioned definition of merchandising *viz.*, buying and selling. A list of these elements might include:

1. Planning of stocks and purchases in
   - A. Dollar figures
   - B. Units
2. Buying proper
   - A. Style
   - B. Assortment of sizes and colors
   - C. Price divisions
   - D. Value
3. Selling through
   - A. Advertising
   - B. Sales-person efficiency
4. Merchandising
   - A. Watching relation of sales to stock in
     - (1) dollars
     - (2) pieces or units including
       - a. assortments

b. styles
c. price divisions

B. Modifying purchasing in relation to sales and stock

(1) dollars
(2) pieces
a. assortments
b. styles—reorders and new styles
c. price division

C. Taking reductions to maintain clean stock.

By and large, those are the activities which the adequately functioning merchandising organization must cover. It is not essential that either a complete organization structure or a carefully worked out system should be in existence. Each of the activities must be covered by some one in some way sufficiently satisfactory to give proper results.

In the fulfillment of the responsibilities of merchandising, each of the four divisions plays some part. And in the effort to allocate each of the steps to the proper division, it should be possible to work out the relationship which should exist between the merchandise division and each of the other three.

It is possible to arrange those activities of merchandising already presented in a somewhat different order.

Merchandising includes the following types of activity:

1. Merchandising statistical work in units and dollar amounts including:
   A. History of store's results
   B. Plans for future results
   C. Current results related to present stock conditions and future purchases

2. Merchandise market activity
   A. Study of market possibilities
   B. Development of resources

C. Study of style tendencies
D. Selection of styles (on basis of newness and experience)
E. Trading for best possible price

3. Contact and coöperation with advertising in
   A. What to advertise
   B. When to advertise
   C. How to advertise
   D. Where to advertise

4. Contact with and inspiration of sales force
   A. Education
   B. Stimulation
   C. Information regarding customer reactions.

Upon the basis of common sense, the controller has no reasonable relationship to the market activity, the sales people, or the advertising. His only possible relation with the merchandise manager will be in the statistical activity.

A glance at the statistical function of merchandising discloses two important subdivisions—units and dollars. Most merchants are acquainted with the study of stock and sales in terms of dollars. Most buying limits are expressed in terms of dollars. There is, however, a rapidly increasing movement toward the use of units or pieces of merchandise as a basis for stock plans and stock control.

The theory of unit control is sound. Customers buy pieces, not dollars. Stock assortments are of interest in terms of pieces, not dollars. The purchase of a pair of shoes is made out of an assortment of one thousand pairs, not $7,500 at retail. In fact, the selection is apt to be made out of one hundred pairs of black, size 5½, B width. A stock of $10,000 may be too large in terms of dollars, but offer only ten pairs of a wanted price, size, width, style and color.

The controller should have no interest in unit control. The interpretation of the results of a study of piece or unit records

requires intimate merchandising knowledge. The facts presented may become the basis of new purchases, reorders, or obtaining of new resources. The results of unit control will be good only if the machinery is used as a basis of action. It is difficult to conceive of the most effective use of a unit system that is operated by some division other than the merchandise division itself.

Some organizations have assigned to the controller the development and the recording of the unit control system, giving to the merchandise organization the responsibility of using the system. The development of the plan should undoubtedly be directed by the controller as a part of the recording system of the store. But its use—including the recording—should be under the responsibility of the merchandise division. In the recording there can be developed the necessary experience for interpretation. To have one organization record and another interpret is likely to result in a duplication of work.

It would seem, therefore, that the only relationship between the functions of the controller and merchandise manager is in the operation of dollar control. It may be true that unit control is the proper basis of detailed merchandise activities. But there are some types of merchandise the variety and low unit prices of which would place an overwhelming and extravagant burden upon the detailed machine of unit control.

Moreover, the use of the unit system as a basis of general control is impossible. The multiplicity of items which the department store carries would become unwieldy when divided into the prices, sizes, and colors of unit control. The common denominator of department store operation is dollar volume. Sales are finally resolved into dollars. Purchases are paid for in dollars, expenditures are made in dollars, and financing must be arranged for in dollars. The dollar amount of merchandise stock and sales may be a simple multiplication, but it is an arithmetic conversion which must be made and used constantly. Merchandise plans may be made up in pieces, but they must be converted into dollars. The relationships of stock, sales, and purchases should be watched in pieces, but they must also be watched in

terms of dollars. The "open-to-buy" figures, or merchandise budget, can be used as a simple centralized method of control only in terms of dollars.

The making and maintaining of such a budget is normally the responsibility of the controller. The recording and auditing of sales, the entry of merchandise received, and the maintenance of stock on hand are usually the work of controller. The information must be turned over to the merchandise organization for use. But it should also be interpreted by the controller. Where conditions are at serious variance with the plans, or the plans seem to be out of line with probability as evidenced by past experience, the controller should call the facts to the attention of the merchandise man; and when action is not satisfactory, for the safety of profits, the controller should be able to prevent additional expenditures until the matter is determined upon by general management.

It is therefore only in the matter of dollar control of merchandising that the controller's activity is closely related to that of the merchandise manager. In the matter of dollar control, the responsibility of the controller should serve as a check upon the merchandise division. The general management should require the safety of this check to prevent uninhibited enthusiasm or pessimism, born of market contact, from creating a schedule unlikely to be fulfilled except at serious sacrifice.

Merchandise and Publicity.—The relationship of the merchandise office and the publicity division is not complicated. This relationship has been well worked out in the practice of some of the leading stores. The detail of the relationship can best be set forth in discussing the function of the publicity division. The relationship between these two divisions will manifest itself primarily in relation to the use of advertising and windows. The publicity organization cannot force the merchandise organization to do anything, but neither can it be forced to include any merchandise in its publicity which does not satisfy its own opinions of the standards of offerings and promises which can be safely made to the public.

Relation to Store Management.—It will be discovered from a study of the activities included in merchandise that there has been included the sale of merchandise through the education, stimulation, and direction of the sales force. The employment of personnel is so generally and validly centralized under one organization unit of the business, that it is unnecessary to consider this question except as part of the study of the store manager's division.

There are a great many examples of a functional division between the sales force and the buying staff, the former reporting to the store manager through floor superintendents or sectional managers, and the latter reporting to the divisional merchandise men or the merchandise manager. In the bulk of department stores, the sales people are responsible to the buyers, but the stores on whose organization charts the sales force appears as part of the store manager's division are so striking in standing and progressiveness, that the plan merits consideration. There seems to be a tendency in the modern department store to place sales people in the store manager's division—at least upon the organization chart.

The term "organization chart" is used advisedly. It is doubtful whether the actual working lines of responsibility coincide with those which appear on the chart. First-hand knowledge of several cases is responsible for some of the doubt; an analysis of the factors involved, if valid, calls forth even more doubt.

Assuming that the theoretical plan is operative, it can be assumed that its proponents would advance the following as a philosophy in its defense: "As the sales force is a service organization, its allegiance should be to the consumer, not to the buyer. We advertise that shopping is welcomed, that no one will be importuned to buy. The implied promise can be fulfilled only if the sales force owes its allegiance to the service division, not to the buying division. We should sell the customer what she wants, not what we have to sell. The emphasis placed upon organization checks and balances loses its significance if the most

important point of contact with the customer is influenced entirely by the organization responsible for purchasing."

The arguments sound plausible. The practice, however, does not satisfy the theory. After all, a store is in business to make money. Although its effort is usually directed to stocking what it can sell, it must sell what it has. The almost universal practice of offering special compensation for sales either in total or of specific pieces must be eliminated if a fair opportunity is to be given to the sales force to give service rather than sell merchandise. The judgment and reward or demotion of sales force, buyers, and even service men (where there is a bonus plan) usually are based upon sales and profits. And it is fair to say that to the average human being dollar income speaks volumes more than worded principles or theoretical organizations.

But assuming that the effort toward service is a desirable one, the service which the sales people offer is a merchandise service and includes knowledge of stock, knowledge of fitness of the stock to the needs or desires of a customer, and knowledge of salesmanship. Such types of knowledge are too closely linked up with merchandise to be divorced from it.

Assuming that the service division is interested primarily in service, placing the sales force under its jurisdiction minimizes the honest chance to insure the fulfillment of proper service standards. The salespeople's activities must be measured by sales and profits. The pressure for sales and profits is paramount and will not give way to any desire to give service for the sake of service. Once the service division becomes responsible for the sales force, its service responsibility is hampered by the overwhelming urge for sales results; and being responsible for the sales force, the check on service becomes lost in fact. Only when the section manager or floor superintendent is responsible for service as a customer representative and *not* responsible for the human machinery which produces service and profits, will there be a service check on the activity of the sales force and buyer.

From the buyer's point of view, the result of his disassociation from responsibility for the sales force is either a matter

for irritation or the basis of an alibi. If the plan is truly effective, then the relationship between the sales force and the buyer is somewhat attenuated. The buyer becomes a buyer without responsibility for selling, or with responsibility for selling without jurisdiction over the selling force. If the plan is not effective, then the actual relationship is between sales force and buyers; the theoretical lines of responsibility are between sales force and service division. The buyer can hardly be held responsible for selling. It requires specious argument to place a responsibility without granting the necessary authority. Practically, the relationship must be between buyer and sales force. If, theoretically, it is not, then the dual responsibility can easily drop between the buyer and the service representative and remain quiescent, discordant, or ineffective.

To the sales person the plan means two bosses, and the functional division of one person has few examples of successful operation in industrial history.

So long as retailers believe that there is an integral relationship between buying and selling, the buying staff and the sales force, for reciprocal advantages, must remain closely associated. When buying and selling can be effectively disassociated in most of the departments of a store, the day of huge and complete consolidation is at hand. Consolidation may come long before this disassociation is a fact; but when disassociation is a fact, consolidation will be here. In the meantime, the burden of proof is upon the functional division of the buyer and the seller.

Does the plan of organization unity of the sales and buying force mean that the function of hiring and firing should revert to the individual authority of the buyer? Yes and no! The creation and maintenance of an employment or personnel division justifies itself because of the economy of having one centralized unit which will develop sources of personnel and make the necessary personnel available for all operating units. The authority for severing the connection of an individual from the store's staff can and should be left to this central personnel unit. But the employment of a person by a particular department must, in the final

analysis, depend upon the consent of the head of that department. Without such consent, the effective activity of a departmental employee is rather improbable. And if for any reason a member of a departmental staff should lose the confidence or win the disfavor of the department head, his or her continued service in the department would be of doubtful value, regardless of the location of authority to hire and fire. Responsibility for a department's results involves authority for the most important element of department operation—personnel. A frank statement by the personnel or employment agencies of stores in which hiring and firing are centralized, or those in which the sales force reports to the service division, indicates that no person is assigned to or kept in a department against the wishes of its chief. No principle of organization is valid if it denies the fundamental characteristics of human beings. And the danger in some of the attempted development of functionalization lies in its challenge to the natural reactions of the average individual.

It remains to discuss one other important operating contact between the store or service division and the merchandise division. The operation of the receiving rooms, stock rooms, and warehouse is directly related to the efficient maintenance of forward or department stocks. In some instances the responsibility for the operation of stock and the receiving and marking rooms is given to the merchandise division; in the majority of cases it is a part of the store manager's functions. Logically it belongs in the store manager's division, and therefore it is probably advisable to include the reasons that justify this conclusion as part of the analysis of the store manager's division.

Organization of Merchandise Division.—A recapitulation of the functions involved in merchandising reveals the following:

1. Planning in pieces or units is entirely the responsibility of the merchandise division.
2. Planning in dollars is chiefly the responsibility of the

merchandise division, but is subject to check by the controller.

3. Market operation, including the development of resources, the selection of styles, and the obtaining of good values is entirely the responsibility of the merchandise organization.
4. Responsibility for the sales force is assigned to the merchandise division.
5. Planning of publicity and furnishing of publicity material are primarily responsibilities of the merchandise division; the publicity division exerts the power of censorship and may offer suggestions for merchandise preparation.
6. Dollar control is chiefly the responsibility of the merchandise division, subject to check by the controller.
7. Unit control is completely the responsibility of the merchandise division.
8. When other divisions have the power of check, the only result of the use of such check can be lack of action until the matter is decided by general management. Equal authority of divisional managers can impose no action; it can only prevent action until general management determines what should be done.

How should the merchandise division be organized for the proper execution of its functions?

Existing forms represent a wide variety both in the nature of the relationship between the functions of the integral organization units of the merchandise division, and in the nature of the functions which consciously exist and for which the machinery has been established.

A summary of some of the more usual organization plans will indicate the maze of variety through which it is difficult to pick one logical road: (1) There are those stores in which there is a general merchandise manager, and those in which there is no general merchandise manager; (2) Sometimes there is no specific activity of general merchandise manager as such, but a member of the firm performs the dual activity of general man-

ager and merchandise manager; (3) There are stores in which the buyer is supreme, reporting only to the general manager; (4) Sometimes the buyer is self-sustaining, vaguely supervised by divisional merchandise men, there being no general merchandise manager; (5) Some organizations have buyers with limited powers, divisional merchandise men, and a general merchandise man; (6) And finally, in a few instances one finds the lily painted with many coats; in those cases there are buyers, divisional merchandise men, general merchandise men, and merchandise direction by a member of the firm, acting in the capacity of a director of merchandise, a sort of super-merchandise man.

An attempt to present the case for each of these plans would leave nothing but confusion. An effort to build the merchandise organization from the bottom up may simplify its discussion. Such a plan of procedure is by no means illogical. The success of a department store is finally measured by the action of the sales books. The sales force is the meeting point of consumer and store. The effectiveness of the sales force depends upon the merchandise it has to sell, the people available to whom the merchandise can be sold, and the skill of the seller in transferring the title of merchandise from store to consumer. Executives of a department store do not exist in order to have subordinates. They exist in order to direct and coördinate the efforts of their subordinates. It is their job to supply those on the firing lines with tools, ammunition, and materials, and to assure the best use of that equipment.

Sales Force and Buyer.—We start our reversed organization with the sales force. The chief functions of the sales force are to sell merchandise, to represent the store to the consumer in order to build good-will through good selling service, and to supply the buyer with first-hand knowledge of the consumers' needs and desires.

A departmental group of sales people should be under the direct leadership of a buyer.

The chief responsibilities of the buyer would include:

1. Providing the merchandise;
2. Suggesting the publicity;
3. Educating and stimulating the sales people;
4. Manipulating stocks to create turnover and obtain satisfactory gross margin (low mark-downs) and sales.

These responsibilities can be restated in a somewhat different form, namely: It is the buyer's functions to provide merchandise through the proper use of the resource markets and to sell merchandise through the sales force with the aid of publicity, making a proper profit in the transaction.

There are many who say that fundamentally the merchandise organization should stop there. The proponents of such a plan would admit that the buyers should be responsible to the general management, but deny the advisability of any intermediary organization structure between buyer and general manager.

Nor is the argument in support of what is known as buyer control altogether unreasonable. The owner of a store in which the buyer is relatively supreme probably would say in defense of his plan of operation, "It has grown up that way, and it works successfully." That is really the answer, and in defense of those who use the system it should be said that they do not try to find complicated philosophies to provide conscious reasoning for a plan that just grew.

But it is necessary for the student of organization to go somewhat further into the reasons for the probable success or failure of buyer control, if he is to measure its usefulness as a general basis for organization procedure.

It is relatively easy to understand why the plan has grown up. The development of the store from small beginnings in which the owner was the complete merchant carried with it a prejudice in favor of creating a large store out of a group of individuals who were all-round merchants. Specialization and the division of labor are relatively modern.

Why does a plan of buyer control work successfully? In answering this question it is necessary to assume that one is the

owner of a store in which the plan works successfully. Such an owner might say:

"Buyer control links authority with responsibility. The buyer, being responsible for results, must command all of the elements necessary for results. These elements include buying, merchandising, selling, and advertising. The plan of buyer control develops men and women who are well equipped, ingenious, aggressive, and self-reliant. The plan develops strong people, and strong people produce the best results. The modern tendency of supporting the buyer with this merchandising aid, limiting him with that type of control, kills initiative and produces anemic, weak individuals.

"The buyer is located at the focal point between consumer and resource market. He is in the best position to relate the needs of the former to the offerings of the latter. Handicaps, so-called assistance, and limitations will emasculate the true value of that strategic position. Independence that can make mistakes will build ability that will avoid mistakes.

"The plan of buyer control is very economical. It requires neither an expensive top organization nor a burdensome system that attempts to substitute statistics for human judgment."

The objections to the plan of buyer control are many.

In the first place, inasmuch as there must be some agency to check the results of buyers and to replace those eliminated through death and inefficiency, the burden placed upon the general management of any store other than a small unit cannot be adequately assumed.

Even admitting that the material for the self-reliant men and women to be developed under such a plan was available, it must be realized that competition and death make inroads. It is difficult to obtain the proper material, and if all stores were organized upon the basis of requiring complete merchants for buyerships, the material would be far too scarce to fill the needs; the competition would be bitter.

Each department would bear the individuality of the buyer to a much more marked degree than is true to-day. The present

result of a change of buyer is awkward; it would become disastrous.

Coördination of a group of departments would be nonexistent, an accident, or the result of costly pressure. The existence of a Fifth Avenue furniture department and a Third Avenue dress department may reflect the self-reliance of the individual buyers, but it surely does not mean the presentation of a unified advertising appeal for consumers who, once brought into the store, should be possible purchasers from all departments.

But leaving all that aside, it is unlikely that the plan of buyer control will result in the development of the greatest effectiveness of the average material available for buyerships. Twenty years ago many of to-day's department stores were relatively small businesses, and the opportunity for general experience relatively great. To-day the stores are large, the risk of trial and error to determine the ability of a man or woman to stand completely alone is hazardous. The jobs must be carried on efficiently, and the chance for error must be reduced to a minimum.

Is that chance for error minimized by a plan which imposes all of the burden of merchandising upon the merchant buyers? Is the nature of merchandising such that the best result for a department is to be obtained by concentrating the whole job in the hands of one man or woman?

It has been seen that the merchandising function includes three distinct elements:

1. Buying, including:
    - A. Discovery and development of best resources
    - B. Selection of proper styles, on basis of
        - (1) Newness
        - (2) Anticipated demand
        - (3) Actual demand
    - C. Values obtained (trading)
2. Statistics, including:

A. Relationship of stock to sales
   (1) Past
   (2) Present
   (3) Future

B. Current record of sales

3. Selling, including:
   A. Direction of sales force
   B. Use of publicity

Buying is chiefly a market function, fulfilled in the resource markets available to the store. Statistical merchandising should be conducted primarily in the store. The merchandise needs in terms of units and prices should be determined in the store, and the market should then be searched to discover the satisfactory merchandise to fill the requirements. Direction of selling requires executive ability and salesmanship.

What a catalogue of abilities the merchandising function calls for: the taste of an artist in style, the keenness of an investigator in discovering new resources, the acumen of a negotiator in obtaining price and terms, the statistical knowledge of an analyst, the inspirational qualities of a leader, the ingenuity of a sales manager, and the customer contact ability of a hotel host!

Does the alchemy of modern civilization produce such complete human beings in sufficient quantity to satisfy commercial requirements? Industry has found that it does not; and mass production and economy of operation have come through specialization and the division of labor. To-day unskilled hands turn out complicated units more efficiently than the skilled artisan ever dreamed was possible and at prices that were beyond even the fanciful imagination of a Jules Verne. Nor is it likely that commerce can obtain the best possible results from the human material available if it is asked to juggle a feather, a billiard cue, and a piece of fragile bric-à-brac.

Modern store development has by and large taken the mechanics of publicity out of the hands of the buyer. The re-

quirements of financial protection have imposed some limits to the purchase of goods. The buying and selling of goods should be left as a unit, a part of one responsibility, until there can be developed consolidated buying activity which will satisfy the style needs of the public of each store and will provide merchandise that will be sold with confidence and enthusiasm rather than with bickering and unwillingness. But the statistical function of merchandising can be removed with little danger to the sense of responsibility for buying or selling. The size of stock can vary within reasonable limits without its effect being felt on the sale of individual units.

A buyer to be successful must be an enthusiast. Enthusiasm means selling spirit, selling results. But it is equally possible to result in overstock. A buyer's activities are certain to emphasize impressions. The accident of three emphatic demands for a particular item coming within an hour may give evidence of a greater apparent demand than would result from six equally important demands for another item spread over an entire day. Market enthusiasm is not unknown. "There will be a great vogue of this or that this season" is an infectious remark, but sometimes the infection does not spread to the consumer.

The need as indicated in the store's stocks may be for black Oxford shoes to sell for five dollars. The market offerings at this price may be unattractive, but very attractive in shoes to sell for ten dollars. Good buying may prompt the purchase of the latter; good merchandising may demand further research to discover attractive items to sell for seven dollars and a half.

Without question there are many instances of men and women who can buy, sell, and merchandise. Such individuals smart under the restraint of merchandise men. Without question there are individuals who are excellent buyers and sellers, and extremely poor merchandisers. Such individuals can render efficient service only with the aid of merchandise men. The latter type represents the greater number. Modern industrial specialization is increasing that number. Modern store opera-

tion is recognizing that tendency in the organization of the merchandise division.

Safety of the store in the limitation of inventories, and in the protection of store requirements against market offerings, requires the maintenance of a merchandising organization distinct from and supplementary to the buying personnel. Cheapness of merchandise is not of interest in itself. Cheapness of merchandise is of interest only in terms of salability—and salability depends upon style, price, and price level demands.

Coördination of departmental effort and the direction of the buying force require some form of management within the merchandise division superior to the buyer.

Divisional Merchandise Manager.—There are three outstanding forms of merchandise organization above the buyers. In some stores the buyers report directly to a general merchandise manager. In others they are directed by divisional merchandise men in whom the merchandise organization ends except for a nebulous relationship which may exist with the head of the business—or one of the coördinate heads of the business. And finally there are stores in which buyers report to divisional merchandise men; and they in turn are responsible to the general merchandise man.

The general tendency of the well-operated store is to group buyers under the direction and leadership of divisional merchandise men. This arrangement is justified by the logic of an organization analysis. For there is little doubt that the merchandise divisional managership is the pivotal point of the merchandise organization.

The divisional merchandise manager supervises the work of a group of buyers for departments handling similar merchandise.

Usually that similarity has to do with the source of merchandise; sometimes the similarity is related to selling appeal. There may be a divisional manager for women's and misses' clothing, or there may be a divisional manager for women's

clothing, shoes, and accessories. Undoubtedly departments should be grouped upon the basis of selling appeal so far as is possible; but the controlling factor in determining the allocation of departments to divisional groups should depend upon the similarity of merchandise, the similarity of style elements, and the unification of resource markets.

It is in the divisional merchandise manager that the buying and statistics must meet, if figures and the use of figures are to play a constructive and not an impersonal, academic part in the operation of the merchandising activity. One often hears the statement that a business is over-systematized. System should be used as an aid to judgment, and its limits should be defined by its constructive usefulness as an aid to judgment. Too much figure control is inadvisable. But the use of figures by those in control can be very valuable.

It is only when the statistics of detailed merchandising are located too far from the scene of operation that they become handicaps rather than aids. The divisional merchandise man is close enough to the operation of his individual departments to understand the details of merchandise conditions. He is far enough away from the everyday department and resource market operation to be able to take a cool, nonimpressionistic view of the situation. It is he who should guide the buying activity with the necessary statistical merchandising assistance. It is he who should watch the unit control system and insure its use in the buying activity. It is he who can and must be interested in the proper development of merchandise resources.

Unhampered by the departmental selling problem, unhampered by the detail of constant purchases, the divisional merchandise man nevertheless is close enough to both the selling and buying problems to be able to interpret the statistical conditions with relatively complete knowledge of both selling and buying. In the divisional merchandise manager there is the meeting ground of sales, market operation, and merchandising (stock manipulation).

To protect the value of his contribution, it is essential to

limit his activity to that area which he can cover intensively. To add departments in wholesale lots is to invite a loss of the value of his chief contribution.

Only those stores of relatively small size—less than ten departments—can afford to dismiss the job of divisional merchandise managership without careful consideration. In such small stores the necessary assistance and direction can be given to the buyers by the man who fulfills the responsibility of general merchandise manager. All stores of a score or more departments probably have much to gain in the use of intensive merchandising by divisional groups of departments.

The type of man who should fill divisional managerships is by no means easy to determine. Two distinct types exist: First, the man who has climbed the ladder of merchandise steps through buyership to divisional merchandise manager; second, the man who is the figure type and may have had his experience either in the executive offices, the statistical office, the field of economics, or the profession of engineering. There are outstanding successes of both types. The latter usually wins his success in the maintenance of a stock conducive to good sales at reasonable profits and low mark-downs. The former often emphasizes sales and style leadership, placing less stress upon economy of stock operation. Sometimes a fairly perfect combination of both types is found in one man.

It is not possible to say that one type represents a better risk than the other. It is possible to say, however, that the qualities for the high-grade divisional merchandise manager should include:

1. Knowledge of merchandise
2. Knowledge of markets
3. Knowledge of styles
4. Knowledge of statistical control
5. Ability to inspire and direct

The man should be chosen on the basis of his satisfaction of the qualities necessary rather than upon the basis of his ante-

cedents. But the job of divisional merchandise manager is a real one, fundamentally important for the complete functioning of the department store which would improve its operation and insure the continuity of successful operation.

General Merchandise Manager.—Many successful stores develop their merchandise organization up through the divisional merchandise manager and stop there. Sometimes a thin vague line of responsibility runs up to the general management or a member of the firm who represents general management. Sometimes there is a somewhat more definite line of responsibility between the merchandise divisional men and the general management.

Usually the cause of ending a merchandise organization with the divisional merchandise managerships lies in the power of the divisional men themselves. Sometimes that power is born of ability, sometimes it is created by stock ownership, sometimes it results from a combination of both.

The argument against imposing a general merchandise manager has two chief elements. It is claimed that the general merchandise manager duplicates much of the work of the divisional managers. It is also felt that the general merchandise man must of necessity be so far away from the operation of each department that his work is likely to impose a control point of view rather than a merchant's point of view upon the operation of the business.

On the other hand, the elimination of the general merchandise manager requires the substitution of the general manager for the merchandise manager; for some one must direct the divisional merchandise managers and all executives over whom there is no immediate superior are responsible to the general manager.

Such a plan makes the general manager a merchandise manager, and destroys the chances of having four coördinate divisions. The publicity manager, the store manager, and the controller are no longer coördinate with the merchandise division because they are responsible to the joint general and merchandise manager.

If the general manager is active as a merchandise manager, then the store is controlled by the merchandise point of view. And in those stores in which the general manager is active in his capacity as general merchandise manager it will be discovered that the controller, publicity man, and store manager are by no means on a coördinate basis with the merchandise division.

Where the general manager is relatively inactive as merchandise manager, the danger of the nonexistence of a general merchandise manager lies in the fact that the departmental groups are likely to be individual in character, appeal, effectiveness, and operating procedure. When there is no general merchandise manager the hope of uniform procedure, merchandise coördination, and similarity of service and merchandise appeal lies in the development of strong and coördinate publicity, controlling, and store divisions—particularly the first and second. However, when one finds the island form of merchandise organization made up of strong, independent divisional merchandise men, the strong publicity man and controller are the exceptions.

Merchandising is an important function of store operation; it is probably the most important one; but it is not the only important functional division. Expense control, selling, publicity, and the net profits which result from the entire operation are important elements of retailing. Future plans either in terms of policy, building expansion, or consolidated activity are important parts of the general manager's activity. It is doubtful whether the general manager can get the greatest value out of the four divisions if he assumes the responsibility and office of one of them. It is doubtful if he can keep his perspective if he assumes the responsibilities for the details of one division.

At least that is true for the average large store; the smaller store can safely place in the hands of the general management the function of general merchandise manager because the volume of detail is not too imposing, and the chances of getting four strong divisional men decrease with the size of the business.

Generally speaking, if it is true that the general manager

should not assume the function of general merchandise manager, and if there should be some one person to coördinate the operating activities of all merchandise divisions—the large store should have the office of general merchandise manager. If there is a basement store of huge proportions requiring its own divisional merchandise men, there should be two merchandise managers. Otherwise the basement merchandise head should act as a divisional manager.

It should be the responsibility of the general merchandise manager:

1. To direct the work of the divisional merchandise managers;
2. To check merchandise plans;
3. To plan total stock investment in dollars;
4. To check merchandise operation as to
   A. Stock
   B. Purchases
   C. Sales
   D. Mark-downs;
5. To work with the publicity organization in the planning of store events;
6. To work with the controller in the planning of stock allotments and the limitation of purchasing;
7. To work with the controller in the control of merchandise expense;
8. To conduct or coöperate with domestic and foreign market offices for the development of new and proper resources;
9. To coöperate with buying associations to insure that the store obtains the fullest possible advantages therefrom;
10. To watch commodity prices and general market tendencies as bases for determining merchandise stock operation;
11. To coöperate with the store division on matters of personnel, store service, and receiving and warehouse operation.

What kind of man will fulfill most adequately the functions of general merchandise manager? Again it is necessary to state the qualities which such a man must have, rather than the experience he must have had or the educational background from which he should have come.

Buying ability as such is helpful, but only in that it supplies general merchandise knowledge. The multiplicity of items carried in a store's stock and the speed of style changes are too great to allow any one man to keep up-to-date in the specific merchandise conditions, styles, and markets represented by the merchandise assortment. The technique of buying and the knowledge of styles, values, and markets are good things to have, if the general merchandise man does not try to spread a specialized knowledge of a small field over the general field, or try to use the conditions of a decade ago as a basis for present-day action.

The general merchandise man must be able to understand figures; he must be able to interpret dollar amounts—the common denominator of department store operation—upon the basis of his grasp of general market conditions. If he has native merchandising sense and no statistical control ability, he must provide himself with the necessary assistance through either the controller or his own staff of statistical control men. Above all, the general merchandise manager must be an aggressive, inspiring executive. His division is the income producer; he must be an enthusiast in leadership and a reasonable conservative in censorship.

Generally speaking, the ranks of successful general merchandise managers include a large and increasing number of men whose training was not buying, but either that of a controller, an engineer, or a general executive.

Summary.—The complete merchandise organization, therefore, includes sales force, buyers, merchandise divisional managers, and a general merchandise manager. In addition there will be clerical assistants, assistant buyers, market offices, and staff units to aid the merchandise manager. The merchandise

division will buy and sell merchandise; it will use dollars and units as bases of planning and control; it will create its plans for purchase upon the basis of store needs; it will satisfy those needs by careful study of its resource markets. The merchandise division must limit its stocks to figures which will allow their disposition without too serious depreciation through mark-downs. It will maintain stocks so that wanted merchandise is available and style leadership is evident.

Effect of External Developments.—The merchandising of retail businesses has progressed to a marked degree during the past ten years. Its progress during the next ten years will be more marked. The development of unit control within the store will increase the certainty of merchandising accuracy. The development of group buying and merchandising will result in savings both in the prices paid and in the expense of a buying organization.

Generally speaking, the merchandise of a department store can be divided into style and staple items. Stability of merchandise in the department store is a relative term. Little of the department store's stocks remains in style without change over a period of years. Staple items are those the styles of which change slowly as compared with the volatile style of millinery or women's dresses. Staple items usually have national vogues rather than outstanding local characteristics.

What merchandise can be labeled as staple depends for its answer upon technical knowledge and intensive study. Some items suggest themselves as staple merchandise. Books have national vogues—the style factor for *Main Street* was a national one. Household utensils probably can be classified as staple. Piece goods of the plainer types, novelties and gift-shop merchandise depend upon newness rather than upon the established tastes of particular communities. Men's shoes and even men's clothing have created national demands through the distribution and exploitation of national brands—although there is a difference between the demands of the Southwest and the Northeast. Men's

collars, socks, shirts, hats, and underwear are national brand items.

Women's stockings are exploited nationally. They do not require adjustment of style to particular communities—except as individual brands have been created. Women's underwear is exploited nationally. Women's shoes are on the border line. These have become so highly styled that it is difficult to know whether there is any standardization. Toilet preparations have been an important and increasingly important item and have national rather than local identity. Infants' wear has within it the basis of national operation and therefore can be labeled staple. Radios and pianos are national rather than local style items. Refrigerators and kitchen cabinets are exploited nationally. There is evidence of a fairly intensive national exploitation of furniture and carpets. A study of the advertising sections of the *Saturday Evening Post* and other national advertising media will give a fair indication of those items which lend themselves to national rather than local demand.

With the growth of consolidated operation of stores the tendency will be toward centralization in the buying of staple items. Consolidation does not mean financial consolidation so much as it does consolidated operation. As buying associations and stores consolidated into corporations increase their operating effectiveness, the actual market operation of the merchandising function will be drawn away from the individual stores and toward the centralized buying office.

The development of resources through foreign and domestic market offices will be the responsibility of the consolidated or association central office. The filling of reorders will be delegated to the central offices for placing and for follow-up to insure delivery in proper quality and time. The placing of combined orders and the obtaining of special prices and terms on staple merchandise will gradually become the work of the centralized office acting either through a committee of individual buyers or through the one buyer in whom all the stores have confidence.

The cause of the difficulty in separating the buying from

the selling function does not lie primarily in the actual difference between style needs. National consumption is satisfied by a relatively small number of local suppliers selling their wares (and the same wares) nationally. It is the psychology of separating the responsibility for buying from that of selling which is responsible for the difficulties arising from group purchasing. The correction of the difficulty will come slowly and only with the education of the buyer-seller head of a department.

The best chance for the successful use of consolidated buying lies in giving the joint responsibility for buying and selling to one organization division. Then as the central office develops skill and confidence, the buyer being a seller will have an important function left, or if not, then the assistant buyer who to-day acts as a selling assistant responsible in large measure for selling what he or she does not buy, will be ready to be trained for the new function. The assistant buyer has been trained to sell what he does not buy. So has the sales force. The same development is possible for the department manager. As a matter of fact it is worked out in those chain units which handle completely staple merchandise and those which carry staple and nonstaple items.

Where the buyer is only a buyer and not a seller, in theory at least, the attempt to centralize some of the buying function into consolidated activity is recognized as a challenge to his prerogatives. Condemnation and resistance replace confidence and enthusiasm in the sale of the group purchases. The solution of this problem is a matter of education and the solution is so essential for economy of retailing that it will be one of the chief responsibilities of the general manager of the present and the next generation.

There is no valid reason why the associated group—or rather the consolidated group—of ten stores should have ten book and stationery buyers or ten toilet-goods buyers. The job of buying can be centralized.

Selling and merchandising must be controlled by the individual stores. Merchandise requirements in quantities and price levels should be determined at the place where the selling indicates

the stock needs. To place the determination of this factor in a central office located in the resource market is apt to impose the resource market offerings on the retail outlet's sales. Reversing the process will insure the use of the market to satisfy the sales requirements in both the quality and the quantity of merchandise.

Whereas there is every reason to anticipate a growing centralization of the buying activity of stores of consolidated ownership, there is some danger in the same procedure if followed by the individual institutions of a voluntary buying association. The difference lies not so much in the effectiveness of the procedure as it does in the possible lack of safety in the absence of possible permanence. The store which as a member of a voluntary group substitutes centralized buying activity for its independent, individual buying organizations, may discover itself for any one of many reasons no longer a member of the group, and therefore in a position requiring the rebuilding of its own independent agencies.

For this reason and also because the pressure on centralized buying in the loosely joined group is likely to be less than it will be in the well-operated consolidated company, the development of group-market activity and economy of operation resulting therefrom should accrue in a greater measure to companies whose interests are common not only because of similarity and mutual advantages, but also because of financial ties.

As the market or buying functions of consolidated groups become more and more centralized, the merchandising division will develop its organization to sell efficiently and to merchandise accurately in terms of quantities. Buying will be the result of a well-planned and efficiently maintained relationship between the internal merchandise organization and the centralized market offices.

The development of this plan of merchandising seems inevitable; the time required for its proper establishment will depend upon the rapidity of the educational process of the buyer. Centralized activity eventually will be accepted as a necessary and

valuable aid to proper merchandising, and not as a preëmptor of prerogatives, or as a challenge to the buyer's ability.

Merchandising as practiced by modern and forward-looking retailers has made a splendid contribution to industry. Centralized market activity, here and abroad, and the use of unit control are the next great factors of progress. It confidently can be expected that the next decade will advance the science of merchandising from infant approximation to an adult exactness.

CHAPTER V

THE FUNCTIONS OF THE PUBLICITY DEPARTMENT AND ITS RELATION TO THE ORGANIZATION STRUCTURE

Variation in Function and Title.—If by the function of publicity is meant advertising, then practically all stores exercise that function in some degree. The variety in the conceptions of what the function should include and how it should be related to other functions of the retail business is sufficient to prevent any assumption of a generally accepted meaning of the word publicity.

The words "merchandise manager" have a fairly clear meaning for the retail trade, and the title is consistently used where there is a centralized office of merchandising leadership. But the publicity activity finds itself labeled advertising, publicity, display, sales management, sales promotion, or combinations thereof.

This multi-titled function runs through a great range of activities. It may be that of copy writing; often it is that of reporting merchandise news. Sometimes it acts as censor of what should be advertised. Rarely is it the chief agent of initiating sales events. Usually the display work and the advertising are completely distinct, the former reporting to the store manager or the general manager. Sometimes the publicity activity resembles a modern drug store, including many things not related to publicity—such as information bureaus, post office, personal shopping bureaus—on the theory that such services are advertising features.

Often the expense classification of publicity represents a better conception of publicity than the actual work performed by the publicity division. Expenses are charged to publicity for

items which in terms of organization responsibility are totally unrelated to the activities of the publicity, advertising, or sales manager.

Obviously with such variation as exists in the conception of the function of publicity, the relationship of the department to other organization units of the business is likely to be unstandardized. Where the publicity activity is centralized, the centralized unit is sometimes under the merchandise manager; in other cases it is coördinate with him and under only the general manager; or it may be tucked away in some corner as a service station; and occasionally it is recognized as something of a supreme being—being in fact even a bit superior to the merchandise manager.

Generally speaking, the only distinct impression which the maze of conflicting evidence leaves is the fact that the conception of publicity is of two general kinds. In some stores the publicity function is that of a service to be used upon requisition by the operating division—usually the merchandise—reminding one of the lines: "theirs not to reason why, theirs but to do or die." In other stores publicity is, at least theoretically, a much more vital factor, representing a constructive and dynamic force in the business, taking the initiative and imposing a pressure for results.

Which of these two points of view is logically sound? What should be the function of publicity? How should it be related to other functions? What should it include? And how should it be organized to fulfill its responsibilities?

Often the statement is made that the answer to these questions depends upon the man who operates the publicity or advertising department. Such a point of view, however, leads nowhere unless it be into a psychological census of publicity managers.

It is far better to say that the type of man who operates or will operate the publicity department depends upon the answers which he and the general management give to the question of what publicity should include. It is necessary to assume that human material is available for the fulfillment of the necessary responsibilities. If the job is a logical and essential one, then the man must be found who will do that job well.

The detailed activities which publicity should include and the relationship of those functions to other activities of the business are interrelated; and both depend upon the general conception of the function of publicity in the operation of a department store. For until the goal is known, it is difficult to mark a course or build a machine to reach that goal.

Cause of Variety.—The variety which is discovered in the accepted conception of the function of publicity is born of natural causes. The department store has grown up from small beginnings and its organization has been built upon the basis of the human material which developed its success. In the operation of the department store there are four points of view, any one of which can develop leadership. Merchandise, service, publicity, and control are so interrelated that one man who starts in one of these four divisions can, if strong enough, build his influence so that he becomes the guiding spirit of the whole business. This is not a matter of theory, because there are too many examples of stores in which a different one of these four points of view has developed itself to a point of leadership. When one point of view has become predominant, one or more of the other three have become weak, and the store is below standard in the effectiveness of the subordinated divisions. Merchandise is the oldest recognized function of department store operations. Therefore it is usually the predominating one—exerting the greatest influence, offering the greatest financial rewards, and attracting the best human material. But there are examples of leadership by point of view other than merchandise, and the answer is usually found in the strength of the man and the conception of the owner of the business.

The Place and Function of Publicity.—It is possible to imagine an all-American team of divisional managers of department stores. Such a team would include a merchandise manager, a service man, a controller, and a publicity man, each of whom was the leader of his own store. Such an aggregation would present a formidable line-up in terms of strength but a "battle

royal" in terms of team work. Each of the four would want to run the team and the result would be disastrous. But obviously if their activities were properly limited and coördinated, the results would be revolutionary and a revelation.

In such an imaginary store, how would the limits of each division be set, and how would the activities be coördinated into a smoothly running unit?

Visualizing the place of a department store in the economic world may help answer these questions. A department store is a market where the consumers of a locality may find the merchandise offerings of the world. Effective operation requires:

1. That the consumers shall come to the market to buy;
2. That the merchandise shall be there to be bought;
3. That the service and salesmanship shall cause the consumer to buy;
4. That a profit shall be made on the operation of the market.

The merchandise organization has as its chief responsibility the gathering of merchandise of proper style, price, and quantity for sales to the consumer.

The publicity organization has as its responsibility the presentation of the store and the merchandise to the consumer in such a way as to build good-will and bring into the store customers desiring to buy.

To do this it is necessary to know who the customers are, in what they are interested, what forms and media of appeal are most effective.

It is necessary to advertise merchandise which has news value in style, price, or need. It is necessary to build good-will upon the basis of service or policy. It is necessary to tell the story effectively, to choose the time for telling advisedly, and to determine carefully the medium for the message.

But advertising of all forms represents only a part of the machinery of attracting people into the store. Window and interior displays have as their purpose the attracting of people to

merchandise with a desire to buy. Therefore display is an integral part of the publicity function.

And finally, there is that less direct but nevertheless important method of attracting consumers into a store—word-of-mouth advertising. Though this can hardly be claimed as an integral part of the publicity function, it undoubtedly must be of great interest to the publicity manager. Service and merchandise leave an impression on consumers. What Mrs. Jones says to Mrs. Brown about a store is even more important than what the store says about itself. The word-of-mouth advertising which the sales people who meet the customers can do requires no argument to prove its importance. Merchandise, sales people, and service are not responsibilities of the publicity manager, but they are of interest to him because they influence his audience, and they should not pass unnoticed by him.

The term sales promotion actually includes all of the factors which have been enumerated, and the activity of sales promotion can be said to be a general store function rather than an activity of any one divisional manager. If by sales promotion is meant the use of stunts or sales ideas, then the initiative should come where it happens to be born; but it might represent a special effort of the publicity division, and it should be censored by this division before use without regard to its point of origin. Under this classification would fall such activities as lectures, demonstrations, and style shows.

The activities which are primarily of a publicity nature, and do not fall more naturally under some other divisions of the business, should be centralized and coördinated under the direction of the publicity manager. Where window and interior displays are under the direction of the store manager, they should be assembled under the supervision and responsibility of the publicity manager.

Advertising is the use of copy with the supplemental assistance of cuts. Display—window and interior—is the use of cuts with the supplemental assistance of copy. Each is a somewhat different form of advertising appeal to the public. Both have as

their function the attraction of customers to merchandise with the desire to buy. Both have an element of artistic appeal and mechanics. Display has nothing in common with the service or operating activities of a store manager.

The use of merchandise for window display should be subject to the same treatment to which merchandise for advertising is subjected. The choice between windows and advertising should be directed by one leader; the coördination of windows and advertising should be the responsibility of one man. The detailed technique of display and advertising may be assigned to separate agencies, but the responsibility for both should be centralized in one divisional manager whose point of view is publicity.

Therefore because display and advertising are parts of the publicity whole they should be operated as units of the publicity function. Because the nature of display has little in common with any division other than publicity, it should not be a responsibility of any division other than that of publicity.

The same reasoning assigns to the publicity division the activities of:

1. Direct mail
2. Store magazines
3. Style shows
4. Demonstrations
5. Radio broadcasting.

Mail-order advertising is not subject to quite such a definite conclusion. The problem of mail-order activity has been a real one for department stores. Mail-order in its operating requirements is fundamentally different from store operation. If mail-order activity is maintained as a separate entity, then its advertising should be eliminated from the publicity division of the store. If mail-order is an important adjunct of store operation, then mail-order publicity should be a specialized function under the publicity division, particularly if the merchandising of the mail-order department is not a specialized activity. If mail-order is in

fact only a form of direct mail, then the choice, in so far as publicity is concerned, is its elimination or its maintenance as a special medium of appeal, but handled by the usual advertising organization.

The development of outside sales through either temporary or permanent exhibitions (with or without stock) represents a similar problem. In reality, these outside sales activities should be handled as merchandise-selling departments and treated as merchandise departments within the store, under some special representative of the merchandise division. They should not be operated by the publicity division. The demand upon department stocks, the problem of return goods, the use of buyers' activities, are points of possible irritation. They should be handled entirely by the merchandise organization—and no other division should make the necessary contacts with the individual subordinates of the merchandise manager. Nor will a relationship with these subordinates through the merchandise manager serve as an adequate basis of operation. The publicity division may suggest the advisability of outside sales effort, and render publicity service; but it should not assume responsibility for its operation.

There remain for discussion certain activities often included within the operating responsibility of the publicity division as a result of accident rather than reason. Ticket offices, information bureaus, personal shopping offices, and post offices are frequently accessories of a department store. They are maintained as service units; they do result in bringing people into the store, but so may a rest room and an attractive building. They are service elements—comparable to the charge account and delivery; and they should be a part of the cost of service. By nature they belong to the service division—the store manager—and not to the publicity division.

The chief function of the publicity division then, is to attract people with a desire to buy into the store. The machinery for doing this includes advertising of all kinds and display of all kinds. It requires a presentation of the store and its offerings

which will be justified by the service rendered and the merchandise available for purchase.

Relationship of Publicity to Other Functions.—What relationship should exist between the publicity division and the other divisions of the business—especially the merchandise division—for the most effective fulfillment of the publicity function?

1. Should the activity of publicity be limited to copy writing and window preparation—available for use by the buyers and concerned primarily with making arrangements with the newspapers?
2. Or should the activity be centralized as a unit coördinate with the merchandise sectional divisions but subordinate to the general merchandise manager?
3. Or should the publicity activity be centralized in a unit coördinate with all other divisions and subordinate only to the general manager or whatever agency of general management exists?
4. Or, finally, should the publicity activity be superior to all other divisions, representing general management, or subject to general management veto only in extreme circumstances?

The last of these possibilities can be eliminated most easily because it has fewest supporters. It is rarely found in department stores, although it does exist in a few instances. It is far more usual in manufacturing plants, particularly when the products of those plants have their chief strength in advertising rather than in content of the product itself. The only possible bases for justification for this form of organization within a department store are these: first, the advertising makes promises; in order to insure that promises are fulfilled, it should control those responsible for fulfilling them; and second, the publicity division keeps in close touch with the public and therefore should direct the activities necessary to furnish the public with the merchandise and service desired.

But these claims cannot be taken very seriously. The variety

of offerings is far too great to be known by any one small agency. The market offerings anticipate popular demand. The merchandise, unlike a national brand, is in a state of such constant flux that only an organization intensively studying the market here and abroad can keep a store up-to-date in its merchandise offerings. The consumer demand for a national brand is for Pebeco, or Arrow collars. For most of the merchandise which a department store offers, the demand is for something new, something cheap, or some necessity. The market answers the first two; the close study of the stock situation answers the last.

No, the publicity division should not be superior.

The antithesis of the supreme position of the publicity division is its relegation to a place of complete unimportance except as a translator of buyer's language into advertising copy. This condition is by no means rare. It is to be found in those large stores in which the buyer is supreme dictator of his own operation in buying, selling, and expenditures. It is to be found in those smaller stores which cannot support the expense of publicity specialization or have not come to realize the real function of publicity.

In the very small store the plan is not a bad one, especially if the owner uses the copy writer as an assistant, supervises his work, knows the purpose of advertising, and comes in close touch with his customers, so that he is conscious of their reaction to his publicity statements. In no other case is the plan justified.

Those who operate upon the basis of decentralizing the publicity work among the buyers with the service aid of a copy writer probably have not attempted to justify the arrangement upon the basis of reason. But if they have, the only arguments which they could present in its favor would be these: "The buyer knows the reasons for purchase; he buys to sell; therefore he can tell best what should be given as selling arguments. And, as he is responsible for their sale, he should not be restricted in the use of the machinery to aid selling—whether that includes windows, advertising, or inspiration of the sales force."

Under this plan it is almost impossible to build any advertis-

ing policy or to coördinate the merchandise offerings. The advantage which comes from the specialization of a unit on the study and use of advertising is lost. Individual merchandise requirements, contrary to the best interest of the business, may do irreparable damage. Advertising is too important an element in both expense and operation to leave to any such haphazard arrangement. The tremendous growth of national advertising has come as a result of specialization in advertising. The department store must improve its technique if it is to hold its place in the mind of the consumer as a primary source of merchandise rather than a storehouse of well-known brands, the demand for which has been built up by manufacturers' advertising, the loyalty to which is given by the consumer to the manufacturer, not to the retailer.

The power of publicity cannot be denied and the battle between the manufacturer and the retailer for the full-hearted confidence of the consumer is already waxing warm and will wax warmer. The weapons will be those of publicity and a vain attempt to use legal means. The department store cannot sit idly by if it expects to hold an individual grasp upon the consumer. Advertising and publicity will require increasing science. And the first step is the centralization of all publicity activity in one specialized functional organization unit.

There are stores of the highest quality and effectiveness, the managements of which admit the wisdom of a centralized publicity function, but feel that such a centralized function should be coördinate with the merchandise sectional divisions but subordinate to the general merchandise manager.

The case for this form of organization cannot be stated more clearly than by quoting from a printed message of one of its proponents:

> We regard ADVERTISING as a selling function and so the head of the Advertising Department also is placed under this line with a rank equal to a Divisional Merchandise Manager. We look upon advertising as being a means for securing for our merchandise the strongest WRITTEN selling message it is possible to secure; we look up-

on our display staff as being the means of securing the best OBJECTIVE or visual presentation of our merchandise that we can have, and lastly, we look upon our sales people assisted by our Training Division as being the means of securing the best possible ORAL presentation that we can get.

This attitude has been also expressed in this somewhat different form: "The function of advertising is to report news. Merchandise is the news material of the store and merchandise should be the basis of the advertising reportorial work. Advertising and display are service adjuncts to merchandise and therefore should be directed by the merchandise organization."

These statements represent a strong case, particularly since they form an accurate description of an operating plan that is followed by a well-known institution of high standing and efficient operation. Does such a relationship of the publicity function to the other functions of the business represent the most effective organization arrangement?

There remains the final choice—the coördinate relationship of the publicity function with the other functions of the business. Perhaps an analysis of this possibility will give the best answer to the adequacy of subordinating the publicity function to that of merchandise.

If we assume that the function of publicity is to present the store to the public in such a way as to build good-will and bring shoppers into the store to buy, then it is clear that the effective realization of this responsibility depends upon a knowledge of the consumer and in what the consumer will be interested.

The proper fulfillment of this responsibility should give the publicity division a fairly accurate point of view of the consumer without the bias that may result from market knowledge.

Obviously the merchandise organization will not purchase anything unless it is felt that the public ought to buy it, but that feeling may be the result of an enthusiasm developed in the market. The publicity organization interested only in what the public will buy is much more likely to have the inexpert knowledge of the merchandise which the public has, and therefore can deter-

mine more effectively than the merchandise organization whether the public actually will be interested. The use of this check will safeguard the public, insure the news character of the publicity, and check the results of the buyers without the expensive experiment of attempting to force it down the public's throat. Such protection is possible only if the publicity is coördinate with the merchandise activity.

It is quite true that publicity must have news value, but the value of the news must be measured from the consumer's point of view, not the market point of view. A purchase which looked extraordinary in the resource market is of no news value if the same is offered at a lower price by a local competitor.

Merchandise may or may not be of news value. New styles are news. Special events are news if the price is right and the merchandise is right. Merchandise which is out of season, or out of style, or out of line in price is not news; and its announcement to the public as news will do real damage.

The extent to which the merchandise justifies the advertising will determine the effectiveness of the advertising and the good-will of the store. The publicity division should safeguard the validity of its printed and display messages. To do this it must pass upon the merchandise which is to be included in an advertisement. This must be done from a consumer's point of view and it is impossible of accomplishment unless the publicity division gets its authority from some source higher than the merchandise manager. If possible this should be done before any large commitment is made, but if not, safety should require such censorship before the merchandise is offered.

It is the responsibility of the publicity division to present news other than merchandise news. Service and policy advertising are important and are likely to increase in importance. These features of store operation, like that of merchandise, must be presented from a consumer point of view. The publicity manager must know the facts as the public will find them, not as the operating divisions responsible would like to believe them. An anticipation that is built up in the public mind only to fall short in

realization, creates worse than no impression. It creates a negative impression—the most dangerous kind. The publicity division must be in a position to know the facts and to present the facts without being prejudiced by the imposed authority of a divisional manager responsible for the conditions of merchandise or service.

That philosophy of advertising which looks upon publicity as being a means of securing for merchandise the strongest written and objective message, obviously requires that the initiative of publicity activity should lie in merchandise preparations. A coördinate publicity division, analyzing consumer attitudes and needs, should constantly suggest the possibility of merchandise preparations for well-timed sales events.

One of the most neglected merchandise functions is the maintenance of complete basic staple stocks. In these days of increasing activity in the control of stock, it is sometimes forgotten that a store sells what it has, and not what it has not in stock. The detailed maintenance of stock is a prosaic activity completely unspectacular. But the existence of complete stocks of wanted staple merchandise is of tremendous news value. The merchandise organization should exert influence to maintain stocks. The publicity division should exploit complete stocks but only if the interest aroused can be satisfied by the stock condition. It should have means of assuring itself that stocks are complete before advertising the fact. For publicity given to an assumption of complete stocks unwarranted by the facts will destroy good-will and remove for a long time to come the value of a similar appeal for trade. Only if the publicity division is coördinate with the other divisions can it exert pressure for complete stocks and assure accurate knowledge of the facts before public exploitation of them.

Publicity is in a way reporting of the store news—but the news must be of interest to the readers. The modern newspaper uses reporters who collect the news. But the inclusion of that news in the newspaper depends upon the policy and the fitness of the news from the reader's point of view. And in those circumstances where the public gives evidence of a desire for news which

is not readily available, effort is made to find the news. That newspaper which gives the public what the editors think it should have, rather than what it wants, faces premature death. Store publicity is reporting, and the analogy calls for a publicity division coördinate with and not subordinate to the other divisions of the business.

In those stores in which there is no centralized merchandise division but a group of merchandise divisions in the hands of members of the firm or strong executives, there is an added reason for the existence of a publicity function subordinate only to the top management. It is essential to have coördination of all parts of the store (with the exception of the basement). The store should appeal in all of its merchandise activities to the same clientele. Where the operation of the merchandise division of the business is split into several equal and relatively unrelated units, the only hope of coördination lies in the work of the publicity division. Through the publicity some knowledge of the type of merchandise and price lines can be obtained. And the publicity division should be in a position to exert the necessary coördinating influence. A position of absolute equality with the merchandise and other divisions of the business is necessary to do this.

If the reasoning here advanced is for the most part valid, it would seem that the publicity function should be centralized and made coördinate with the other three divisions of the business—responsible only to the top management. It should not be responsible to a member of the firm who controls both the merchandise division and the publicity division; or to one who heads the controller's division and the publicity division. That is not coördination, for the reason that the personal leanings of such a man usually are in one direction or the other and coördination will be a theory rather than a fact. True coördination can come only if the divisional head has one chief point of view, not two.

Such a publicity division will be subject to check by the controller. In turn, it will be in a position to check the controller,

the merchandise offerings, and the service features which it desires to exploit.

Where there is disagreement which in a coördinate form will result in no action, the agency of general management will determine what basis of action should be followed. Such a coördinate form of organization includes no basis for unusual amount of friction; but it does require coöperation. The autocracy of one all powerful division may give evidence of less controversy, but that is because there is no right to raise a voice of protest, and not because there is no protest to voice.

The Place of the Comparison Office.—At various times in the discussion of the relationship of publicity to the other divisions, reference has been made to the possession by the publicity division of the means of checking price, style, stocks, and service. Usually the agency for this checking is the shopping or comparison office.

Under the plan already advanced the comparison or shopping office should report to the publicity manager. In a great many stores there is no such organization unit. Where it does exist it is usually responsible to the merchandise division, far less frequently to the general manager, and once in a great while to the publicity manager.

In one case where the publicity function is subordinate to the general merchandise division, the comparison office reports directly to the general manager. This would seem to be a tacit acceptance of the fact that inasmuch as it is the task of the comparison office to check the work of the merchandise division and service divisions, it should not be responsible to the merchandise division.

The comparison office does not check the work of the merchandise buyer to determine whether merchandise was purchased at the lowest possible price. It checks the offerings of competitors in comparison with the offerings of its own store from a consumer's point of view—usually from the point of view of advertised prices or advertised policy. In the process of checking the

merchandise, the shopping office determines the service offered by its own store and by competitors; and in its travels it learns what merchandise in competitors' stores is attracting interest.

All of its information should be available for the service and merchandise divisions. But inasmuch as its activity is a check upon the work of those divisions, it should not obtain its authority or direction from either of them. That is a commonly accepted principle of organization.

The comparison office should check the existence of basic stocks, but in this, as in all else, its point of view should be that of a well-trained shopper—a consumer point of view. It is upon the reports of the comparison office that the publicity division will determine the validity of exploiting complete stocks in the store's advertising.

It is upon the advice of the shopping office that the publicity division will determine the news value of specially priced merchandise.

The comparison office is the eye and ear of the store representing the consumer and insuring the competitive adequacy of service and merchandise. The publicity division is the mouth telling by advertisement or display what the store has to offer of interest to the consumer. The work of the comparison office and of the publicity division is so closely related in nature, in attitude, and in mechanism that they should not be separated.

The placing of the comparison office under the general manager is evidence of the need of a check on the machinery of the organization; but it places a detailed burden upon the general manager. It places the comparison office in the hands of one who cannot be whole-hearted in his singleness of interest in the point of view of the consumer. The general manager is not in a position to direct the work of the comparison office as well as the publicity manager, nor to get as much value out of it, nor to follow up the findings to insure improvement. He can get more value out of his comparison office with fewer handicaps and less burden by creating his publicity division as a unit coördinate

with service and merchandise, and delegating to his publicity manager jurisdiction over the comparison office.

Detailed Functions of the Publicity Division.—With the determination of a general conception of the function of publicity and its relationship to other functions of the business, it is possible to outline the chief activities of the publicity division. These activities might include the following:

1. Planning appropriation with operating divisions and controller, including
   - A. General publicity
   - B. Advertising
   - C. Windows
   - D. Style shows
   - E. Miscellaneous;
2. Conversion of appropriation into plans and schedules for
   - A. Advertising
   - B. Display;
3. Checking merchandise offered for advertising and display;
4. Checking planned expense against budget;
5. Initiation of advertising and display
   - A. General events
   - B. Special events;
6. Make-up of advertisements and windows;
7. Checking copy, releasing copy, checking and releasing proofs;
8. Checking up advertising results;
9. Checking up store competitors' activities to
   - A. Insure accuracy of advertisements
   - B. Suggest material for advertisements
     - (1) Service
     - (2) Policy
     - (3) Complete assortments;
10. Preparing general advertising in the way of general news;

11. Making researches as to
    A. Best form of advertising
    B. Best time for advertising
    C. Best media for advertising;
12. Conducting style magazines;
13. Conducting radio broadcasting station;
14. Stimulation of suggestive salesmanship by sales people.

Organization of Publicity Division.—The organization of the publicity division for the fulfillment of its functions depends in a measure upon the size of the business and the number of steps in the process which the head of the business desires to include.

Assuming that the job of the publicity division is to be fairly complete, the organization plan would include about the following:

1. Publicity manager
2. Advertising section
3. Display section
4. Comparison office
5. Style magazine
6. Radio station

The advertising division in the large store may have a head distinct from the publicity manager or may have at its head the publicity manager. Under him the organization is usually divided into a subsection of artists and one of copy writers, with the possibility of a proof reader if the work is voluminous.

The copy writers are usually specialists in merchandise divided into classes upon the basis of the form of appeal. Such specialization might be as follows:

1. Basement
2. Women's and Misses'
3. Children's
4. Men's
5. Piece goods and house furnishings

There is growing up an interesting plan of locating the copy writer for each merchandise section in close proximity to that section. The advantages claimed are those of better knowledge of the merchandise detail, and therefore greater ability to write good copy; greater enthusiasm for the merchandise as a result of closer association with the buyers and the buying, and therefore more inspired copy; more complete knowledge of the stocks and the newly arrived merchandise, and therefore greater initiative on the part of the advertising office in selecting merchandise that has selling points, replacing the attitude of a "wet blanket" on the enthusiasm of the buyers whose selections are said to be based on buying, not selling points, with that of a friend at court who is a member of the advertising organization and who will plead for adequate space and good location for the presentation of the merchandise with which the specialized advertising writer is closely associated.

The only danger in such a plan lies in the loss by the publicity division of its outside, or consumer, point of view, and the substitution therefor of a merchandise or buying point of view. That danger lies not only in the possibility of choosing merchandise for advertising from a merchandise, rather than consumer, point of view, but also in the possibility of using buying language rather than selling language in the advertising.

The danger of selecting merchandise to be advertised on the basis of the buyers' point of view can be offset by having the comparison office check the merchandise before it is advertised. The influence upon the copy is an unknown factor, of course, and only time will determine it.

The plan has a great deal to commend it. Merchandise divisional members operating under the plan seem enthusiastic about it. Whether that enthusiasm is born of greater effectiveness, or less rigorous pressure, is not known. But it would be unfair to assume that it is the laxity of the system which pleases them; so it should be assumed that it is the effectiveness which gives birth to enthusiasm.

Conclusion.—There is no place or basis within the scope of this discussion for an opinion relative to the adequacy of department store publicity and publicity managers. There have been statements by department store owners that there was room for improvement in both the deed and the doer. But regardless of what the past has held as a measurement of either publicity or publicity managers, the future will require a much more efficient job.

If the next decade brings with it no further increase in price, then increased volume will come only through increased number of transactions. With the natural desire for increased business that exists, the pressure for business will impose a real problem upon publicity and therefore upon the publicity manager.

The existing margin of retail profit leaves little room for additional publicity appropriation. Increased sales through publicity will have to come through increased effectiveness of display and advertising.

At the same time the publicity manager, more than any other person in the store, must watch carefully lest the pressure for immediate results cause the store to lose its place in the mind of the consumer. The publicity manager, more than anyone else, is acquainted with the subtle, invisible, intangible, but powerful force of good-will. He must know what place in the mind of the consumers he is creating through publicity; and he must avoid selling that heritage for a mess of pottage.

Styles change, prices change, service changes; and all change quickly. But the place of a store in the mind of the public changes slowly. If the nature of the business changes too rapidly, then it will lose its established trade. And it is for the building of established trade that the department store expends thousands of dollars weekly. It is the publicity manager who talks with that established trade and it is he who should safeguard the publicity message and the content of that message lest it not be understood by the store's established clientele.

A department store is a four-cylinder, internal-combustion engine. The cylinders are on a line, and publicity is one of them.

Publicity must be a constructive force lending its energy to the creation of power. There will be steep grades to make with the probable increase of competition; but there is so much latent power still to be developed by those department stores which connect each of the four cylinders with the driving shaft, that the stores which really hit on all four cylinders will climb all hills on high gear.

CHAPTER VI

STORE MANAGEMENT

An Anomalous Situation.—The term "store manager" is chosen arbitrarily as a title of that office which is called by several titles—general manager, store manager, superintendent. It refers specifically to the man to whom are assigned the functions of service, personnel, store maintenance, operation of delivery department, and a score of other activities.

Both the office and the function of the store manager are the anomalies of department store organization. To each of the other three divisions of the business there can be assigned one comprehensive *motif* of operation and point of view. The store manager assumes the responsibility for a heterogeneous group of activities, all of which cannot be tied to one single inclusive theme. Selling service of the proper kind, care of elevators, management of personnel problems, operation of a delivery department, maintenance of physical equipment, and good housekeeping represent strange ingredients out of which to form a clearly identifiable loaf. And yet the choice is between the splitting up of the store manager's functions into several homogeneous parts or the inclusion of several elements foreign to one another in the melting pot of the store manager's job. The determination of the choice to be made depends upon a careful examination of the elements now included in the store manager's division.

The growth in the miscellaneous character of the store division is not unnatural. Next to the merchandising, the store management function is the oldest in the department store. It grew from the original housekeeping service involved in keeping a small shop clean. Buying maintained its importance, and it was easy for the small merchant to delegate the onerous duty of store upkeep to an assistant.

As the small store grew into huge buildings, and the expensive and extensive motor equipment replaced horse and wagon and hand or bicycle delivered packages, the problems of store operation became complicated. Later the publicity and controller divisions became facts—but their jobs were more or less technical and expert. The vast amount of detail involved in the complicated machinery of the modern department store found no resting place in these newer divisions, and so personnel, welfare work, and shopping bureaus became part of the store manager's division. In addition, there was added to the store manager's load the increasing machinery for luxury service. These properly belonged to the store manager, and so ticket offices, information bureaus, parking facilities have joined the host of tasks that now find a home in the office of the store manager.

The list of activities included in the store division's functions reads like the job analysis of an industrial Atlas. Generally speaking, the store manager is responsible for the following activities:

1. Hiring and firing employees;
2. Training personnel;
3. Making wage plans;
4. Fixing wages;
5. Transferring employees;
6. Making salary adjustments;
7. Maintaining personnel records;
8. Jurisdiction over welfare work;
9. Checking attendance;
10. Maintaining discipline;
11. Operating elevators and escalators;
12. Telephones;
13. Maintaining service representations on the floors to
    a. Authorize charge accounts
    b. Insure selling service
    c. Manage and direct sales force
    d. Handle adjustments and complaints;
14. Operation of adjustment bureau;

15. Operation of shopping bureaus, information desks, ticket offices;
16. Maintenance of store and fixtures;
17. Maintenance of mechanical equipment;
18. Providing light, heat, and power;
19. Refrigeration and ventilation;
20. Inspection of sprinkler system;
21. Housekeeping;
22. Protection against theft;
23. Reconstruction of building or new building;
24. Operation of
    a. Receiving, checking, marking rooms
    b. Warehouses
    c. Stock rooms.
    d. Delivery system;
25. Purchase of supplies;
26. Control of expense;
27. (In some cases). Charge of display.

The Point of View of the Store Manager.—Such an alarming list of activities—each of which is a unit and not a subdivision of procedure—loses some of its startling appearance after the elimination of a few and the grouping of the remainder into natural classifications.

Display is a component part of the publicity function, and has little if anything in common with even the multiple activities of the store manager. Whereas the consideration of expense is an essential element to store operation and one which may be the basis of economical operation, the inclusion of the function of expense control as the responsibility of the store manager's division solely is justified neither by the expense history of department stores nor by the logic of the organization analysis.

Omitting expense control and display, the list of the store manager's division by the use of a little imagination can be separated into two general classes—1. Personnel; 2. Service. By the further stretch of the imagination it would be possible

to say that personnel is an essential element in service, and inasmuch as personnel by and large is used for the service operation of the store manager, it can be included beneath the general blanket of service.

It is difficult to forge all of the functions of the store manager into one driving shaft labeled service, but it is reasonable to say that nearly all of the activities of the store manager have important service elements. Heat, light, power, elevators, cleanliness, freshness are necessary for the comfort of the shopper. Delivery is undoubtedly a service feature, as are information bureaus, ticket offices, and shopping services. Receiving and marking rooms, warehouses, and stock rooms are closely linked up with selling service. And the mechanics of operation involved in the handling of merchandise are so much alike for all four that common sense and the advisability of organization centralization and specialization demand that they be assigned to one chief executive.

It can be fairly said, therefore, that the chief motive of the store manager is service—service primarily to the customer, service of all kinds except that included in the offering of proper assortments of well-priced, well-styled merchandise. It is doubtful if many store owners, general managers, or store managers would disagree with this statement. But it is equally doubtful if service is actually the motivating influence of the store manager's operation, and if the effectiveness of store management is measured by the standards of service. The function of control has become so ingrained in the operation of the store manager's division that the average store manager is first a controller, an official who considers his first responsibility to be that of an obstructionist to the expenditure of funds for proper service.

The modern tendency to make the sales force responsible to the store manager is more likely to defeat the safeguarding of service than it is to satisfy the assumed reason for its development, namely the protection of service. The sales force should be under the jurisdiction of the buyers or department managers. The floor or section representatives of the store managers should

check the service to protect the customers. And they will not check that for which they are responsible.

Natural Groups of Activities.—It is possible to group the valid activities of the store manager into a few natural divisions. These would include:

1. Personnel activities
2. Customer service
3. Maintenance and construction
4. Operation
5. Protection against theft.
6. Purchasing

The entire list of activities of the store manager fit themselves naturally and logically into these six groups:

1. Personnel activities would include:
   a. Hiring and firing
   b. Training
   c. Wage plans
   d. Fixing wages
   e. Transfers
   f. Salary adjustments
   g. Welfare work
   h. Personnel records
   i. Attendance
   j. Discipline
2. Customer service would include:
   a. Service representatives
   b. Adjustment bureaus
   c. Shopping bureaus
   d. Tickets offices
   e. Elevator service
3. Maintenance and construction would include:
   a. Upkeep of store fixtures and building
   b. Maintenance of mechanical equipment

   c. Light, heat, and power
   d. Refrigeration and ventilation
   e. Housekeeping
   f. Construction of new building or reconstruction of old building
4. Operation:
   a. Receiving and marking
   b. Warehouses
   c. Stock rooms
   d. Delivery system
5. Protection against theft
6. Purchase of supplies

Protection against theft and the purchasing of supplies are important but do not complicate the situation. The store detective is usually and reasonably responsible to the store manager. In one store the protection department reports to the general manager, but inasmuch as the protection must be either against employees or customers, it would seem wise to link the protection department closely to that agency which has the closest contact with customers and employees.

The centralization of supply purchasing is accepted as advisable by practically all industry. As the store manager uses most of the supplies, it is only reasonable for his division to purchase them.

It is undoubtedly evident that the other four classes are by no means uniform either in content, nature, or the requirements of executive ability and training. Maintenance and construction (3) and operation (4) are primarily mechanical in character, but they differ fundamentally from personnel (1) and service (2); and in turn personnel and service differ fundamentally from each other.

Organization of Store Management Division.—The average store manager has grown up with the business. His experience has been most closely related to the service require-

ments modified by the sense of responsibility for expense control. Personnel, operation, and maintenance are acquired characteristics.

Three plans of organization are possible. Either the present practice is satisfactory or the store manager must be drawn from executive material combining engineering training with a sense of service responsibility and knowledge of personnel. Or the store manager's division must be divided into three or more component parts, each headed by a specialist in the technique involved in the operations of his own unit.

The last of these choices—namely, division of the store manager's activities into three or more divisions—is inadvisable both as a suggestion and as a course of action. As a suggestion it represents a radical departure from all established practice, and as such would meet with complete opposition or would require complete readjustment of existing organizations.

But even if the suggestion did not by its very radical nature eliminate itself as worthy of consideration, there are valid reasons for not splitting the store division into subgroups. The general manager would assume direct responsibility for a large number of top executives. He would assume a responsibility for much more detail than is required of him under a plan of having four strong divisional heads. The nature of the functions representing the new divisions would not rank as coördinate with those of publicity, merchandise, and controlling.

The present job of store manager is sufficiently important to make worth while the use of a high-grade, well-rewarded executive. Subdividing that job would substitute four or more mediocre men for one very strong man with four or more assistants. The store manager's division needs strengthening, not weakening; its standing must be raised, not lowered; it must attract high-grade, well-trained men, not smaller men of more limited capacity; its scope, its responsibilities, and its rewards must be such as to offer a satisfactory field for the trained mind.

To-day, the store division receives fewer recruits from college and technical men who seek careers in retailing than does

any other division of the store. And yet there is much to be done in the selection and training of people, in the rendering of service comparable with that of the specialty shop, and in the efficient and economical operation of the store.

In the large store, the chief requirements of the store manager are executive ability and some sense of mechanical efficiency created through training or experience. Under him the six divisions can be built with the assistance of well-selected, well-trained lieutenants in charge of:

1. Personnel
2. Customer service
3. Store maintenance
4. Operation
5. Protection
6. Purchasing

In the smaller store the store manager must take personal charge of some of these divisions; and even in the large stores he must understand the principles involved in all and the requirements of each.

There is no magic in the work of the store manager; and except in the matter of customer service there is nothing fundamentally unique in his functions as differentiated from similar activities which exist in the factory.

Personnel work is a necessary and well-recognized element of all industry. The specific qualities required and the training to be given will vary, not only in retailing as compared to manufacturing, but also in the various jobs to be filled in a single retail establishment. The fundamentals of selection and training are not different, for they are all based on human nature and the technique which has been developed in the handling of personnel in all fields of commerce and industry.

Maintenance and operation in the operating details are much more closely allied with the factory than they are with the general practices involved in retailing.

And surely purchasing and protection in the department

store are not so extraordinary as to require those abilities which can come only from training in the selling end of department store activity.

In the matter of personal or customer service, the department store has a unique problem. It differs fundamentally from the service requirements of the manufacturer and it is the chief hold which the specialty shop has upon its clientele. The impersonal service of the department store obviously does not add the warmth to the atmosphere of the shop that the customer finds in the smaller, more intimate establishments that have made such inroads into the department store business. It will be difficult and probably impossible for the department store ever to develop a service competitively equal to that of the smaller shop. But the effort must be made, and the variation in the quality of the service rendered by different department stores and the success of a few in building really significant and popular service indicate that there is a very real good-will prize to be won by those stores whose efforts are well directed and successful.

The effectiveness of the service features of a department store—even a small store—will never result from the personal-service activities of the store manager. Service must be rendered by those who come in contact with customers. The floor or sectional service men, the various information and shopping bureaus, the elevator men, the delivery men, the sales people, will make or unmake the service good-will of the department store. The store manager's responsibilities will lie in the selection, training, leadership, and supervision of those customer-service agencies which fulfill his service functions. It is executive ability and not suave manners which will win for the store manager and the store the service reputation it requires.

Type of Store Management Executive.—What type of man offers the best opportunity for the proper fulfillment of the functions of the store divisions? As always in the case of finding some particular source of human material there are no single and locatable mines of wealth to be tapped.

Perhaps it would be better to ask what qualities the store manager should have in order best to fulfill his responsibilities. Obviously the first requirement is executive ability. The other qualities that are advisable may be ranked as follows:

1. Knowledge of store operation;
2. Knowledge of personnel;
3. Knowledge of service methods and requirements;
4. Knowledge of mechanical operation;
5. Ingenuity.

If the executive ability is available, then the next requirement is a service point of view. With these two qualities in hand, the mechanical aptitude, the mechanical training, and the mechanical experience loom up as qualities essential for providing good service, a comfortable store, and economic operation.

The usual present-day store manager received his training in customer-service contacts. His present job took from him the value of that experience when it took customer contact from him and imposed expense control upon him. He has adopted the chief functions of his job long after his early training was forgotten. Employment was his first job as superintendent, and in the employment of selling department personnel his floor experience has been helpful. But the broader lines of personnel and the mechanical operating requirements were grafted on to him and had, and have, little in common with his basic training.

That he has been successful in many instances cannot be denied. That he has been unsuccessful in a great many other instances also cannot be denied. The ready confession of many merchants that department store service has failed to hold its position with specialty shop service is valid evidence of the distance which the average store manager has come from his chief responsibility and his early training. The steadily mounting cost of operation, during a period when rising prices and volume have brought falling percentages of fixed charges, raises some doubt concerning the success of store-management efficiency in operation and in control.

However, there is no intention to measure the effectiveness of store management either as compared with the other divisions of the department store or as an individual operating unit of the business. The future problem of finding material for the position of store manager differs too radically from the past situation to furnish either the basis of comparison or to allow the past to serve as a foundation for future action.

The store manager of the past grew up with the store. He assumed new responsibilities which were created by an expanding institution; and he grew along with the increase in size and complexity of the problems. To-day the department store has reached maturity. The jobs and responsibilities by and large are in existence. There is neither opportunity nor time for the slow development of a man to the growing needs of his job. Nor can the business hazard too great a risk in the selection of its key men. It must select men who with short notice can fill efficiently the vacancies made by death or changes.

In the future, store managers must be recruited from those whose qualities and experience give excellent promise of immediately effective service. It may be that the same school as in the past will graduate the necessary material for the future store managers. It would seem that the technical school would offer splendid material for store-management executive requirements. But it is essential that the standing of store management be maintained or preferably raised in order to attract and hold the right type of personnel.

The opportunity for service and economy which lies in the hands of the store division for use or abuse is too great to be disregarded. Service is an essential requirement for good-will and sales. Economy is the handmaiden of net profit. The store manager is an essential factor in both.

Personnel.—The personnel department is that part of the store manager's division which has as its function the hiring, firing, training, and welfare of the employees. Such a function includes the following activities:

1. The discovery and development of sources of employees;
2. The employment of men and women;
3. Training and education;
4. Development of wage and bonus plans;
5. Wage adjustments;
6. Transfers;
7. Discharging;
8. Welfare work.

Twenty years ago personnel work and personnel departments were practically unknown. The development during the past ten years has been rapid. To-day it is the exceptional large commercial or industrial institution which has not a specialized and centralized bureau of personnel work.

There are many logical reasons for the centralization of personnel work in one bureau. One of these is the fact that industry in general has accepted the plan. Of course there may have been an element of fad in the development of personnel work. Often chief executives become interested in the paternal protection of their industrial family members; or they are willing to pursue educational experiments for the sake of the experiment without attempting to correlate the results with the effort. From a personal point of view such an attitude cannot be questioned. From an industrial point of view education and personnel work in general must be justified by their results.

Although it is likely that a certain amount of faddism has crept into the development of personnel work, still there is ample ground on which to justify the development of specialized machinery for the proper exercise of the function.

Industry in general and retailing in particular depend upon the availability and development of good human material. To leave these important elements to the varied abilities of many operating executives means that there is likely to be no uniform result and that immediate availability rather than fitness will be the controlling factor to the man who must inject the employment function into his usual daily routine.

Without centralization there will be no uniform policy either in the qualifications for employment or in the wage rewards. Institutional *esprit de corps* will be completely supplanted by departmental spirit; loyalty for the possession and holding of the job will be offered to the departmental head who has the independent power of hiring and firing.

In an institution in which the personnel function is decentralized, there is a serious handicap to the use of the entire force as a source of material for promotional opportunities throughout the business. Knowledge of personnel will be fairly definitely limited to departmental heads; and departmental loyalty will make difficult the transfer of individuals from one department to another.

That part of personnel work which embraces the health and social well-being of the employees cannot be handled except as a unit. Employee associations, preventive and other medical service, must of necessity be offered to the entire force as a unit.

The technique of employment, training, and welfare has become a specialized one; and to leave it without control or supervision in the hands of operating executives for whom it is at best a part-time occupation is to insure its failure.

Moreover, it is economical to centralize personnel work. Besides the waste of time involved in the individual efforts of many executives, there is duplication of effort, the waste of good opportunities, and the possibility of internal competition for desirable candidates.

In the large stores it is necessary to build special organization units for employment and education. In the smaller stores the functions, although distinct as activities, can be carried on by the same organization unit. But whether the activities are assigned to one or two units, the functions are so interrelated that they must work closely together and recognize themselves as part of the process of furnishing the proper material for the personnel requirements of the store.

Employment's first responsibility is the development of resources. Aside from the very junior positions, the first and

most important source of supply should be the store itself; and the educational department should be concerned in the development of that store supply, acquainted with it, and of assistance in fitting it for more responsible activities.

In the development of sources of supply outside of the store and in the actual technique of hiring, the employment department functions alone. In all other activities of personnel (with the exception of welfare) the educational and employment departments should work so closely together that they are but different angles of the same job. It is hoped that the nature of this close association will become clear when the relationship of the personnel bureau with the operating departments is analyzed. For the moment it may be assumed.

The organization of the employment branch of the personnel bureau is simple and depends entirely upon the size of the business and the number of specialized employment officials required. Where the volume of work is sufficient, the work should be divided into groups of jobs requiring similar qualities and having similar sources of supplies. Sometimes the division is made upon the basis of males and females; but except for personal reasons based upon men understanding men, and women understanding women, there seems to be no logic for the sex division as against a division on the basis of jobs.

It is the technique of employment that requires careful study. The doubtful value of psychological tests may some day be converted into real value. But the experience of handling people develops real ability to select. The work of job analysis for the various groups of activities of the store will eventually indicate the qualifications which individuals must have to be employed satisfactorily in each of the various groups of jobs. And job analysis matched by individual analyses of men and women will be the schedule of development of the employment bureau for some time to come.

The educational department picks up the threads of personnel work where the employment office drops them; although, as has been mentioned before, in so far as people already em-

ployed are concerned, the educational department should be drawn on by the employment department as a source of material.

Once employed, the individual should be instructed in the rudiments necessary for his or her usefulness to the business. Training in the system requirements of the store is the extent of the educational work of most stores.

That hardly can be called education. Education is the process of drawing out an individual for the purpose of developing his capacity. System knowledge is pumped into the successful applicant as a graduation speech is forced into the mind of the grammar-school valedictorian—to be issued on occasion. True education must result in the development of a better sales force, better stockkeepers, polite and well-informed delivery and elevator men, efficient marking-room people.

Unlike employment, the knowledge necessary for proper education is so vast and varied in the department store that no one agency of reasonable size is likely to possess it. Education to be valuable must be in terms of specialized activities; and that means departmental activities.

Actually the information necessary for education is possessed only by the department heads. They should be the education department. But often possession of knowledge does not carry with it the ability to transfer that knowledge. Knowing and teaching ability are not always companion qualities of an executive. If the department head can be taught to teach, then education will become a vital factor in the department store.

It is important that education should be effective in the department store, because improved operation requires improved personnel. As huge educational departments will be inordinately expensive and only partially successful because of lack of knowledge and lack of constant contact with the students, the best chance for the introduction of effective education is through the use of department heads as teachers. And the educational department should devote itself to the training of department heads as teachers and to assisting them as teachers.

Education will be developed in decentralized units of actual

training and in a centralized unit for the development of department heads into teachers. The educational department should function as a normal school, graduating department heads as teachers, and measuring its success by the work of the teachers' pupils.

It is essential that wage levels should be determined as a store policy rather than upon the basis of individual departmental conditions. The requirements of particular jobs must be taken into account, and department heads must be factors in the determination of wage levels. But the question must, in the final analysis, be treated as a unit for the entire store if fairness is to be maintained, economy exercised, and employee good-will assured. The personnel bureau, being the centralized agency of personnel, must be responsible primarily for wage standards inasmuch as it is acquainted with the labor market and the wage conditions of all departments.

The same thing is true of wage adjustments, though in this case the department head should take the initiative in suggesting wage increases.

In the development of wage and bonus plans, it is again essential for the personnel bureau to be an important factor. For those plans which are general in character the personnel bureau should be primarily responsible. Departmental plans may be suggested by the department heads, but they should be analyzed and authorized by the personnel bureau and the store manager before adoption. The personnel bureau, being closely affiliated with the employees of the store, should be able to anticipate the effect of a particular plan, and should assure itself that such effect will be helpful and stimulating, not harmful and disturbing. The personnel bureau can afford the time and effort to learn the character and effect of other plans that are in use and their application to its own store.

The personnel bureau of the store manager's division obviously is allied most closely with the department heads. It begins to function upon receipt of a requisition from a department head for employees. If the budget appropriation is available, it will

seek candidates first from within the store and second from outside sources. If the candidate is satisfactory to the department head, the personnel bureau will employ him.

Transfers from a department that are initiated by the personnel bureau must be satisfactory to the department heads concerned. Transfers initiated by a department head must be replaced in some other department or relieved from further employment in the store.

Discharge, except for major indiscretions, dishonesty, or flagrant inefficiency, should be resorted to only in case of real need for economy. For the protection of the spirit of the employees all discharges should be authorized by the employee's divisional manager and by either the general manager or the store manager.

Wage adjustments suggested by the department heads and divisional managers should be checked by the personnel bureau before presentation to the store manager and the controller. Wage adjustments suggested by the personnel bureau on the basis of study of the records or the general policy of the store should be presented through the store manager to the department head concerned. Wage increases usually result from the requests of the employee; they should result from the recognition of good work by the management.

The individual records of the results of employees should be available to and studied by the personnel bureau. In the results of the individuals lies the story of the value of personnel work.

One exception exists to the centralization of the personnel function. It is unlikely that divisional managers will be selected by the personnel bureau. That is a responsibility of the general manager.

It is also unlikely that other important executives, whose salaries are in excess of that of the employment official, will be employed by the personnel bureau. In such instances the divisional manager must take up the matter directly first with the store manager to determine the relationship of such employment

to the whole problem of personnel, and, second, with the controller to determine its relationship to expense control.

Service.—It is in customer service that the functions of the store manager can render the greatest benefit. In offering the convenience of good shopping assistance, and assuring good selling service, the store manager through his assistants should make every intelligent effort to compete with the service atmosphere of the smaller, more intimate specialty shop.

Protection and assurance of service for the customer is the chief responsibility of store management. The slogan that "the customer is always right" should be the standard of good service borne by the store manager's division. Logic and fairness may deny the validity of the rightness of the customer but common sense and good business affirm it, and good-will rewards it.

The elevator men, the delivery men, the shopping and information bureaus, and the sales force render service. The adjustment bureau and the floor or section managers protect service.

The elevator men have their chief value in their politeness and knowledge of the store directory. They should be responsible to the customer-service section rather than to the maintenance section of the store manager's division. On the other hand, the delivery men's chief abilities lie in the mechanical requirements of the job. They should come under the operating section of the store manager's division—learning politeness and the store policies through their department head.

The service bureaus that have been developed are definitely responsibilities of the store manager, and depend for their function and numbers upon the policy of the store.

The adjustment bureau is the centralized agency for the correction of service mistakes. There is some argument for assigning this bureau directly to the office of the general manager, because it measures the errors of the organization and its proper operation is essential for the protection of the good-will of the customer. But as a service activity, as an instrument of protection of the customer-service requirements, and as an agency

handling infinite detail it is best allied to the service function of the store manager.

The adjustment bureau is the remedial device for service errors and customer dissatisfactions. The floor or sectional service managers should be the agents for the prevention of bad service and dissatisfaction. They should assure customer satisfaction and good selling service in terms of quality and quantity.

As has been pointed out elsewhere, the service managers cannot protect selling service if they are responsible for the machinery of that service. They should check the service rendered by the sales force, report conditions, when necessary, to the department manager or buyer, and to their immediate service superior. The service manager acts as a host. He assures the adequacy of the housekeeping and the decorum of the personnel of the department. He handles complaints and makes such adjustments as do not require reference to the adjustment bureau. For purposes of service he is usually allowed to authorize charge sales under certain conditions and to accept merchandise for refund. The relationship between the sectional service manager and the department heads must, of course, be very close; but the responsibility of the sectional manager must not waver from the line of service. The sectional service manager must keep his eye upon the service ball, or it will be found that his drive has sliced into the rough of indifferent service and the ill-will that is thereby created.

To the store owner who puts no emphasis upon service, such a rigid means of protection is of little interest. But for the store owner who believes that service is a profitable endeavor, the machinery for service should operate in behalf of service and not in behalf of expense control.

Maintenance.—The maintenance department of the store manager's division is important. Good housekeeping is as essential in the department store as it is in the home. Good light and air, warmth, cleanliness, and well-maintained fixtures and building create a pleasant atmosphere conducive to the comfort

and buying desires of a public interested in something other than cheapness.

In the store which caters to the lower classes upon the basis of an economy appeal, attractive appearance may be understood as extravagance; and barrenness and crudeness may be a peg on which to hang the validity of an appeal on the basis of low prices. But in all other stores the details of convenience, appearance, and comfort are necessary elements of good salesmanship.

The function of maintenance is primarily mechanical and should be exercised under the jurisdiction of a man who has knowledge of economical mechanical operation. The effectiveness of the work done by the maintenance department should be the responsibility of the department head; but the store manager should check the adequacy of the work by personal inspection and reports from the sectional service managers.

As in the case of all operating departments involving expense, the maintenance department will have a working relationship with the controller, through the store manager, in the creation of budgets and in the operation of the budget system. Practically all other organization relationships should exist only with the store manager.

Operation.—The other subdivision of the store manager's division that is primarily mechanical in function is the operating department. Within this section fall:

1. Receiving and marking rooms
2. Warehouses
3. Stock room
4. Delivery department

These functions are grouped together because they represent for the most part similar activities. Each is concerned with the expeditious, economical, efficient handling of merchandise.

The receiving, marking, and stock rooms are primarily service features for the merchandise. That principle of organization

which suggests the centralization of responsibility would indicate the desirability of placing these organization units under the merchandise division. The probability of economy and effectiveness is increased by combining these units into one central unit specializing on the mechanical process of handling merchandise. Their effectiveness should be assured by giving the merchandise division an interest in the efficiency of operation without combining with that interest a responsibility for operation. In that way the pressure for results and the operating effectiveness are likely to be maintained at a higher level than would be otherwise true.

The warehouse serves as both an auxiliary stock room and a delivery department.

The delivery department is universally the responsibility of the store manager. In content the function of delivery is similar to that of receiving and warehousing. All are concerned primarily in receiving, handling, and delivering. The receiving and warehousing activity is related primarily to the delivery of merchandise to the selling departments. The delivery activity is related primarily to the delivery of merchandise to the consumer. As this latter activity lacks the check resulting from the interrelationship of the service and merchandise divisions which exists in receiving and warehousing, the quality of service rendered to the consumer must be checked by inspection and test investigations.

Usually the heads of the receiving and marking room, the stock room, warehouse, and delivery department, report as individuals to the store manager. Sometimes there is a traffic manager who has charge of all four units of handling merchandise; though usually the term traffic manager is discovered in stores located at a distance from the resource market, and applies to that office which expedites the freight and express movement of merchandise from the time of shipment up to the time of receipt.

For the department store the store manager of which is lacking in mechanical training it would seem to be highly advisable to concentrate the function of receipt and delivery in the

hands of one who is well equipped by nature and experience to exercise that function efficiently. A title is unimportant, but the term traffic manager seems to be adequately descriptive of the possessor of such a function.

In the small store, the probability, if not the possibility, of skillful management in the handling of merchandise lies in combining the executive leadership of all traffic in the hands of one man, whose capacity will require a greater expense than can be borne by one individual unit.

In the large store the manifold duties of the store manager suggest the creation of an office in charge of traffic. In addition to the simplification in organization which should result, the centralization of the operating activities involved in the handling of merchandise should benefit from the effectiveness and economy resulting from specialization and high-grade executive ability.

Purchasing.—For the purpose of economy the purchasing of supplies should be centralized in one organization unit. The volume of purchases of the fair-sized department store offers sufficient possibility of saving to make the activity the full-time effort of one individual or one unit of organization. In the small store the work can be handled by the part-time effort of one executive. But in all cases the responsibility should be recognized as important and worthy of careful consideration.

The chief elements necessary for the effective operation of the purchasing department are:

1. Buying skill of the purchasing agent;
2. Ability to use an adequate balance of stores system to insure adequate stocks and no overstocks;
3. Ability to judge market fluctuations and the timing of purchases;
4. Development of proper resources.

In order to avoid duplication of effort, it is probable that the balance of stores (or inventory) should be maintained by the stock room in which supplies are stored. It is possible, of course,

to maintain a special supply store room under the jurisdiction of the purchasing agent, but this procedure represents a decentralization in functional specialization and the assumption of a responsibility by the purchasing agent which can best be fulfilled by the stock room.

Moreover, it is likely that the function of the purchasing agent of the individual store will become less and less important as consolidations and buying associations increase in numbers and strength. There is no valid reason for the member of an association or consolidation to buy its supplies as an individual unit. There exists too much actual and possible standardization in the supplies used to create any serious handicap to centralized purchasing at significant savings in price and inventory investment.

The development of centralized purchasing has been significant and is bound to grow. As it does grow the function of the individual purchasing agent will diminish until it is finally replaced by an almost automatic ordering device operated by a clerk of the stock room. Whatever local purchasing continues can be added to the existing function of some other member of the store manager's division.

Conclusion.—A significant portion of retailing costs and a significant factor in retailing success belong to the store manager of the modern department store. Merchandising has undergone intensive development both in organization and in technique. If retailing is to fulfill its true potentialities, that development must be paralleled in the organization and technique of the store manager's division.

CHAPTER VII

THE CONTROLLER

THE word "controller" signifies the name of a mechanical device or the title of an office that is something more than a passive agent of information. A controller is one who or that which controls. Or, rather, it would seem that a controller should be an agency that controls. For actually the controller of a department store often has duties and responsibilities which contain as much element of control as does the work of the score board operator in a baseball park.

Generally, the department store controller is an accountant who has charge of accounts, bookkeeping, and statistics. Sometimes he takes the initiative in preparing special reports. Less frequently the controller directs the attention of those in charge of operation to a situation requiring consideration. Rarely does the controller interpret the statistical facts of the business and draw conclusions which require careful consideration on the part of those concerned. Here and there one discovers controllers who measure up to the significance of their titles, who actually are essential units of the management force of the business, participating in the planning, keeping a watchful eye over the current history, and forcing management action in those matters which merit more than the passing interest accorded to the usual post-mortem.

Place of the Controller in Management.—Should the function of the controller in the department store organization be limited to the supplying of statistics and the maintenance of the necessary office records? Or should the controller exercise a function of importance in the active management of the business, creating figures, interpreting them, participating in the

making of plans for expenditures, and carefully observing and checking the operations as they take place from day to day?

There are those (including some controllers) who say that the controller steps beyond his function when he does more than provide the management (something apart from himself) with the necessary statistical information. And there are those who say that the controller does not begin to function as a controller until he does something more than furnish statistical information.

What the function of the controller should be and what should be his place in the management can best be determined by an analysis of the statistical operation of a department store.

Records, accounts, and statistics have been recognized for centuries as necessary elements of industry. To-day there are those who know how to read the lives of prehistoric man from the records left engraved upon imperishable stone. Education uses the recorded experiences of the past as a foundation and guide. Business has recorded its history for years in terms of money units; but it is only recently that such a history has been either analyzed to discover means of improvement or used as a basis for future planning.

Bookkeeping as such is very old; the record of cash receipts and outlays, of debts owed and debts owing, is venerable with age and has changed only in the mechanics of handling. The science of statistics, however, is quite young; the development of cost accounting has hardly reached its maturity; and budgeting as a commonly accepted member of the industrial operating family is as yet unborn.

But though young, statistics and accounts as control records have contributed much to the science of business. It has been the trained accountant rather than the intuitive and brilliant merchant or manufacturer who has traced the past as a basis for future action, and who has developed records as an excellent aid to judgment and a signal system worthy of being watched.

Important as records are to the manufacturing plant, they are even more important for the retail business. The manufacturer may accumulate a large raw material inventory, but that

inventory represents a relatively low percentage of his sales price. It is a relatively stable commodity and can be sold without too great sacrifice, or liquidated by a national or international sales effort. A slack period can be offset by overtime work at a subsequent time. A stock of finished goods is hazardous, but even in this case the average manufacturer has a commodity which will hold its value for a reasonable length of time and one which he can sell by high pressure and wide-flung sales effort. All of this does not mean that the manufacturer can afford to neglect a sales condition, an inventory surplus, or a high cost of operation. He must watch carefully and control assiduously. But he has some protection as compared with his brother in industry—the retailer.

The department store does its business each day. A day lost is probably not regained. The inventory is added to each day by the receipt of merchandise contracted for in advance. It is reduced each day by the sales resulting from the purchases made by consumers who have come into the store to buy. Those consumers must be attracted from within a small shopping radius. Weather, style tastes, inefficient selection, general industrial conditions may affect that buying public adversely. A large part of the inventory is made of volatile merchandise the selling life of which may be over by the time an unseasonable period has ended. Overstock cannot be reduced by national sales effort over a reasonably long period of time. The stock must be liquidated quickly and in a very limited local market—limited not only geographically, but also to those who come into the store to buy.

The manufacturer may produce on the basis of purchase orders. The retailer must anticipate his customers' orders with complete stocks of staples and novelties. He must hazard his funds in investments in merchandise to be offered for sale, and which, if not sold, depreciates quickly in value. He must maintain a high-priced location, an expensive building, and a fairly complete organization. He cannot reduce any of his costs quickly,

and he must anticipate his sales results with the necessary expense for his operating organization and his store.

Sales are essential to protect the value of his merchandise, the size of his inventory, and the rate of his expense. Sales volume must be watched each day, and the results upon profits and expense must also be watched. There is no time in the retail business to take X-ray pictures of conditions for leisurely analysis in the laboratory. The business is in constant flux. Post-mortems are useless. Present conditions must be projected into the future as bases of action. The retail business requires a motion-picture method of recording which shows what has happened, is happening, and likely to happen; and corrective steps must be taken to-day to protect the future—to-morrow.

Records of sales, gross margin, inventories, and expenses are essential operating factors. Adequate financial provision and satisfactory net profits depend upon the proper use of the records and accounts. Although the controller, of course, can supply the information without being an active participant in the management personnel, the function performed by the controller must be accepted as an integral part of management.

The place of the controller in the organization may become clearer if we analyze the operating procedure involved in the use of records.

When the fiscal year has ended and the books are closed, the results of the business are translated into the balance sheet and the profit-and-loss statement. Service is an excellent advertising slogan and an even better operating policy. But the measurement of successful rendering of service and the final cause of business operation is net profit. The owners of the business are interested finally in the net profits of the business; and the operating methods and policies have been justified if they have created a surplus over and above the cost of merchandise and the cost of selling.

Net profit in a department store, then, is a residual figure. After the expenses of operation have been deducted from the gross margin on merchandise sold, the remainder is net profit.

Actually the procedure is not so simple. There are several control figures each of which is an important element in the protection of net profits:

1. Initial mark-up on merchandise received must be ample to give a fair assurance of a net profit after anticipated mark-downs and expenses have been deducted;
2. Mark-downs must not exceed the anticipated figure if the predetermined gross margin is to be maintained;
3. Volume must be sufficient to provide a sufficient gross margin in dollars to yield a net profit after anticipated expenses are deducted;
4. Expenses must be kept within predetermined limits to assure a net profit after obtaining reasonable volume and maintaining an adequate gross margin percentage.

These are the elements which will influence net profit. Obviously they include the entire business, and it should be equally apparent that all of them combined represent the responsibility of three managers—merchandise, publicity, or store—and not the job of only one. They have one common denominator—dollars; and they meet only in one place—the records of the controller.

Unless these four elements of net profit are properly balanced and controlled, a net profit is unlikely. Should such balance be left to the responsibility of each divisional manager? Should it be the responsibility of the general manager, or should the control and balance of these essential elements of net profit depend primarily upon the watchfulness and action of the controller in whose division the information is centralized and in whose daily activity the records are matters of careful consideration?

As yet we have not sufficient information for an adequate decision. It is essential to trace the four factors:

1. Initial mark-up
2. Mark-downs

3. Volume
4. Expense

through the operation of the organization in order to determine the proper allocation of the function of controlling the necessary balance between them.

Initial mark-up is usually determined by general management. In the short run initial mark-up can be imposed arbitrarily by a ruling of the general manager. But the maintenance of a reasonable initial mark-up that protects the competitive standing of the store depends upon the development and use of good resources, the exercise of astute buying ability, and the efficient exercise of large-scale buying. In terms of actual and continued results the maintenance of an adequate mark-up depends primarily upon the merchandise division.

At the same time as the general manager imposes a ruling as to the initial mark-up, he often declares publicly in newspaper advertising that the prices will be competitively attractive. It has been seen that the faithful execution of this promise depends upon the assignment of the task of checking to the publicity division which has no responsibility for buying, but has a distinct responsibility for policies exploited publicly. To give the merchandise division the task of high mark-up and low prices may result satisfactorily—but also may not. So long as buyers' wages are dependent upon profits, uncontrolled policies of low prices will play second fiddle. If the dual pressure of profits and low prices is given to the merchandise division coincident with the assignment to the publicity division of insurance of the effectiveness of low-price policy, the pressure for price is apt to outweigh the pressure for profits until the results have recorded a loss or an unsatisfactory profit from operation. It is to the controller that the general manager should assign the task of watching the adequacy of initial mark-up. The controller, being interested in net profit, will watch the initial requirement of net profit—initial mark-up. The publicity division, being interested in sales and promises to the public, will watch the important

requirement of favorable competitive standing—price comparisons. The merchandise division under these circumstances must obtain proper initial mark-up by skillful operation and not by the dangerous imposition of a tax on the public, and must sell merchandise at competitive prices through good buying and not through a sacrifice of profits.

There is an increase in the avowal on the part of stores that competitive prices are met, and there must be a real or lively interest in the maintenance of adequate net profit. The real chance of combining these two antagonistic factors of low prices and adequate initial mark-up lies in the assignment of each of the two factors to that division whose chief interest is most closely allied to it. In the maintenance of initial mark-up the controller is an essential element of management.

Mark-downs are the nemesis of department stores' net profits. The vagaries of public demand combined with the erring technique in the choice of styles and the predetermination of the necessary quantities of stock create a substantial shrinkage in the value of merchandise sold. Mark-downs, or reductions in original selling prices, average, the country over, nearly eight per cent. of sales. And in the best-operated stores the figure is about five per cent. of sales. Initial mark-up must include this five to eight per cent. which will never be converted into profit, but which must be recognized as a necessary margin for mark-downs. Modern merchandising, rapid turnover, elaborate records of dollar control, and unit control have as their purpose the control of stocks in order that mark-downs may be reduced.

The general manager may and should set a mark-down per cent. limit beyond which the net profit is threatened. But he cannot afford to enforce that mark-down percentage limit by not allowing those mark-downs to be taken which will cause the predetermined limit to be exceeded. The chief control of mark-downs lies in their prevention; and this in turn depends upon very many elements—in fact, it uses a greater machinery than does the control of any other element involved in the net-profit figure.

Mark-down figures are valuable as indices of conditions, and they should be watched as measurements of buying skill and the probability of net profits. But to educate the buyer or department manager too intensively in the danger of exceeding mark-downs, is likely to encourage the failure to take necessary mark-downs, and is also likely to create old stocks as a substitute for new stocks. Stocks remain high, "open-to-buy" disappears, and new assortments are not purchased for public offering. The accumulation of merchandise because of the fear of taking mark-downs may show a temporary profit under the retail system, but the day of severe reckoning is only postponed.

Those merchants who view with alarm the growth of figure control have a valid basis for their fear, but not for their reasons for this fear. Merchandising and especially buying is an artistic and speculative thing. The complete mixture of control and art in the mind of the buyer is apt to leave one of these two elements supreme. Control may stand supreme—and stocks may become scanty or dingy. Or control may become submerged by the intuitive merchant who buys on hunch, or "feel," or experience. Control is essential, but it is questionable if the buyers should be educated either to stop buying automatically when the magic "open-to-buy" has disappeared, or to fail to take mark-downs when the limit has been reached.

Although the application of too vigorous pressure on the merchandise organization may be expensive, nevertheless the mark-down percentage must be watched carefully if profits are to result. To the controllers as in the case of initial mark-up the watching of mark-down percentages should be delegated. Mark-down percentages should be watched by the merchandise organization; but in the case of the merchandise division, mark-downs are a measuring stick of operating effectiveness. In the case of the controller, a low mark-down percentage is an end to be sought and gained if net profit is to be insured. It should be his task to call to the attention of the general management mark-downs that are too high. It is the function of general

management to determine whether the mark-down limits are to be maintained or exceeded.

The prevention of mark-downs should be one of the chief interests of the merchandise organization. To this end, careful planning, careful buying, good advertising, good service, effective selling, and efficient maintenance of stock are essential requirements.

The controller prepares the figures upon which sales and stock plans should be made. The plans should be made by the merchandise, service, and publicity divisions. Merchandising, selling, advertising, and service are enthusiastic sales promotional activities. They are money-spending functions. The merchandise manager or buyer who plans a twenty per cent. loss in sales is much more likely to live up to his schedule than one who plans for a twenty-five per cent. increase. Stock assortments and sales effort can be easily geared to a seventy-five per cent. schedule. But the healthy business is one in which the publicity manager, the merchandise manager, and the store manager are planning stocks, events, and service which will obtain a healthy annual increase. Replace enthusiasm with pessimism and the *esprit de corps* will suffer and the limit of ingenuity will be imposed by an ever-narrowing circle of pressure for results.

On the other hand, the store that launches forth on a wild campaign of enthusiasm will come to grief. It is the controller whose first interest is the protection of net profit. Expense plans must be conservative; that means that sales must be conservative. Stock plans must be conservative; and that means that sales must be conservative. Plans should be subject to his criticism. Those which seem to him to be too optimistic for justification, too hazardous for net profit, should be returned for modification or presented to the general management for consideration. He should not have the right to change plans, but if the other divisions do not change the plans upon his suggestion, they should not be put into force without the consent of general management. He should be empowered to question any planned appropriation, whether for merchandise or operation, and pre-

vent action by any other divisional manager until the general manager has decided upon the desired course of action.

As the plans are converted into history, and the actual sales and stock conditions develop somewhat differently from the anticipated schedules, the controller should provide the necessary figures to enable all operating divisions to watch the results and to make the necessary readjustments. His own relationship to the actual operations should represent a continuation of his attitude toward the plans. Plans, in the final analysis, are guesses. And those guesses should be modified as history is accumulated. From his point of view of protection of the elements of net profit, he should exert the same influence on conditions as they develop as he did toward the plans as they were formulated.

The controller's interest should be limited to dollar control. The use of unit merchandise control is not within the scope of his activity. It is too closely allied to actual knowledge of merchandise and resource markets to be either a useful machinery in his hands or an advisable activity for him to undertake. Unit control is properly the responsibility of the merchandise division.

Sales volume is, like net profit, a result of the effective operation of the entire store. The controller in a small measure is responsible for volume through the efficient use of the credit department and the good-will resulting from the efficient handling of the accounts receivable and the cashier's operation. Generally speaking, the controller is interested in recording sales volume and relating that record to plans of stock, sales, and expense, and also to actual conditions of stock and expense.

The importance of expense as a factor in net profit, and the necessity of its control, are so significant that special treatment of the question seems advisable (Chapter VIII). The function of expense control and its allocation are embryonic in development, but both demand careful analysis and both give evidence of becoming extremely vital factors of department store operation. Assuming that the reasoning advanced in the chapter dealing with expense control is valid, the controller demands his place

in management in this the fourth constituent of net profit—namely, expense control.

Net profit is a result, but an essential result of department store operation. It is a result of a satisfactory volume done at adequate initial mark-up, with reasonably low mark-downs, and at a reasonable rate of expense. These terms are measurements of the results of all of the divisions, but they meet only in the statistical records of the controller and in the supervisory control function of the general management.

The safety of net profit depends upon the constant and jealous watch given to these four component elements. The only centralized agency of watching them is the controller's division. He, less than any other divisional manager, is responsible for the operation which each of the four terms measures. He, more than any one else, has at his command the complete statistical information concerning each and all of the statistical requirements of net profits.

The general manager is the only other centralized agency concerned in all elements of net profit. In the small store, he can assume the function of control. In the large store the detail involved is too great and the assumption of the control function will tend to make him a stultified controller, influenced by the mechanics of control. He can serve his needs best by remaining in a judicial position to decide policies that rest on the opposite poles of desired profit and low-priced competition, or high-cost competitive service.

Surely the controller has an essential place in the management council of the department store.

The Danger of Over Control.—Undoubtedly the past few years have witnessed a rapid development of control devices. The term "not open-to-buy" has become a catch phrase that may cause the idea of an enthusiastic buyer to perish at its very birth. Some progressive merchants look down the future road of retailing with some misgiving, mistrusting the use of statistics as a substitute for buying and selling enthusiasm and ingenuity,

feeling that a rigorously imposed mark-down limit may prevent the expurgation of buying mistakes or overstock in the effort to live within the predetermined limits of mark-down figures; conscious of a possibility of lowering service standards imposed by increasing expense control.

The fear is a real one, and yet the requirement for control is essential for the insurance of net profit. The dissipation of the fear of super-control, and the maintenance of adequate control, lie in the assignment of service, selling, and merchandising points of view to the three divisions whose chief responsibilities should be good merchandise, good service, good sales; and the assignment to the controller of the essential elements of control necessary to safeguard net profits. By such a method the general manager can direct the policy of the business along whatever road it chooses. So long as he combines sales promotion and control in one division he will be unable to sort the goats from the sheep; and he is likely to develop an overcontrolled store or an undercontrolled store.

Mechanism of Control.—The mechanism of control lies of course, in the records of the department store. Almost universally the responsibility for the maintenance of most records and accounts is assigned to the controller. Such records and recording functions in general fall into the following classifications:

1. Invoice records
2. Store records
3. Accounts payable
4. Sales audit
5. Sales records
6. Pay roll
7. Expense bills
8. Ledger accounts—accounts receivable
9. Bills rendered
10. Bookkeeping accounts

11. Merchandise records
12. Statistics

Relationship of Controller to Other Divisions.—In many stores the controller plays an important part in merchandise budgeting and merchandise control. And logically he should do so. In practically all stores the controller's statistical office prepares the past figures. And in practically all stores this same office prepares and issues the periodic merchandise reports. In some stores which use the unit system of merchandise control the controller supervises the operation of the records by the merchandise division. Without doubt the controller should be a party to the planning and installation of unit control systems. He should be a party to the installation of all recording systems. But the operation of the unit system should be left in the hands of the merchandise organization.

It should be recognized that the merchandise manager exercises a definite control in merchandising. That fact has been taken into account in discussing the relationship of the controller to merchandise control. Where there is no merchandise manager, but only more or less independent divisional merchandise managers, the development of a uniform control method, a uniform unit control system, and balanced total inventories requires the assumption by the controller of some of the functions which usually fall within the hands of the merchandise manager.

The major relationship between the controller and the publicity and store managers lies in the control of expense. This necessary function also will be of joint interest to the controller and the merchandise manager.

In the receiving room the store manager's division, the merchandise division, and the controller meet again. It is a proper and practically universal plan for the store division to check, mark, and handle all merchandise received. It is the function of the merchandise organization to indicate the selling prices upon the invoices (if not already done on the order), to check the quality, and to expedite the handling of merchandise from

receiving room into forward stock when necessary. The controller's function centers around the invoice. It is his responsibility to check the invoice against the purchase order, to check the mark-up and discount terms. From then on the invoice must be safeguarded as an original entry for the stock records, and the accounts payable, for both payment and protection of trade discounts.

Recording Functions.—The other recording activities are accepted as usual functions of the controller. These include

1. Accounts-payable ledgers;
2. Accounts-receivable ledgers;
3. Pay roll;
4. Auditing of sales checks;
5. Handling of cash;
6. C. O. D. system.

Usually the operation of the credit or charge office is made the responsibility of the controller. The credit function includes the following steps:

1. Passing on applications for charge accounts;
2. Establishment of credit limits;
3. Authorization of charge slips;
4. Collection of slow accounts.

In some stores these functions are assigned to a separate division independent of the controller; and there are added to the actual operation of the credit system, the accounting responsibility of posting charges to the individual accounts, and the preparation and distribution of customers' bills. There may be some validity to the maintenance of a separate credit division, if the credit activity is of overwhelming importance, but there seems to be no justification of having two distinct accounting divisions. The handling of accounts receivable is an accounting function and should be a component part of the accounting organization. Ordinarily the credit office does not require as its chief executive a man coördinate with the four major divisions of the business.

If the mechanics of accounts receivable are placed under the jurisdiction of the controller, the credit office should be under the same jurisdiction, as the current records of individual accounts are essential bases for determining the validity of a charge authorization. Ordinarily the centralized tube system combines in one room the handling of cash and charge business—the division of the personnel of the tube room between two coördinate executives is ill-advised. The usual practice of department stores is to make the credit office and the authorization of charge sales a component part of the controller's activity. And it should be so.

The responsibility for taking inventory should be assigned to the controller. He maintains book inventories. He is in the best position to make the extensions. He should use the organization of the entire store for the physical work involved in inventory taking, but the accuracy should be his responsibility, and the method should be worked out by him to assure himself of the validity of a comparison of actual and book inventory.

There are certain miscellaneous activities which can best be assigned to the controller. These include:

1. Insurance matters;
2. Income and other taxes;
3. Government reports;
4. Direction of general stenographic force;
5. General files;
6. Receipt and distribution of mail;
7. Legal matters not sufficiently important to be handled by the general manager.

There remains one other question that relates to the function of the controller. Obviously the controller by contact and activity is most closely in touch with the fiscal conditions and requirements of the business. Does that intimate association with the financial situation demand that he be a large factor in the fiscal policies of the business? Certainly in the fiscal policies of the business as an operating unit the controller should exert

great influence. If because of unusual circumstances like relationships with banks or the questions of stock ownership it is advisable to have some corporate official other than the controller act as treasurer of the corporation, then the controller should serve as assistant treasurer in name, and act in close association with the treasurer. In corporate fiscal matters requiring changes of capital structure or the use of large amounts of funds for permanent investment, the controller, like the other operating divisional managers, should be an advisor, but the matter should be kept in hand by the directors, general manager, president, or whatever other corporate officials may be directed to do so by the stockholders.

Conclusion.—The controller has contributed tremendously to the improved technique of department store operation. His place in the sun is newly won, but is constantly demanding more attention. An important operating official in all industrial units, he has his most valuable and dynamic contribution to make in retailing. Providing the machinery for skillful control, he can best serve the interests of the store by furnishing something more than the lifeless figures demanded of him. He will fulfill his greatest possibilities if he is an essential part of management, analyzing conditions, interpreting statistics, and forcing consideration of important facts and factors by other divisions and by the general management. Preparing figures, creating systems, he will develop fewer records for the sake of records and more systems that are useful aids to judgment if he is a party to the use of those records and systems. His outlook should be one of conservation—conservation of assets, funds, and net profits. Although not so dramatic as the enthusiasm of sales promotion, his careful, phlegmatic, critical attitude, if well directed, will render a valuable protection to general management, an excellent service to the net profits of future department store operation.

CHAPTER VIII

EXPENSE CONTROL

Importance of Expense Control.—Expense control is likely to be one of the most important activities of department stores during the next decade. At present the number of dollars spent for expense, including necessary profit, is equal to one half the amount spent for merchandise. The actual supervision given does not for a moment equal one half or one twentieth the thought and effort used in control of stocks. Expenses have increased during the last ten years, in spite of the fact that conditions have been advantageous for the control of expense within reasonable limits.

Since 1914 average prices have increased one hundred and sixty per cent. To-day the sale of a given quantity would represent an increase in dollar volume of sixty per cent. as compared to the dollar volume of the same quantity in 1914. Fixed expenses should have decreased. Rent (on old leases), depreciation of old buildings, should have represented a smaller percentage of the dollar volume. Prosperity has added its benefits to unit price increases, and constantly increasing volume has been the result of the combination. Expense figures planned upon the basis of last year's results have had the protection of a probable increase in this year's volume. Profit margins, on the whole, have been satisfactory. Generally rising commodity markets have offered some bulwark against the nemesis of retailers—mark-downs.

Nevertheless, expenses have increased. Luxury standards of service have become necessity requirements. The belt of control has become so accustomed to being let out another notch to encompass the widening girth of expenditure, that its use has tended toward the ornamental rather than the utilitarian.

It is a rash person who makes prophecies. But as the retail business must of necessity deal in futures, in a survey of the department store it is possible to risk rashness. There is evidence to indicate a possibility of declining prices and some hesitation in the torrential flow of gold to our shores for conversion into purchases of needs and luxuries.

If unit prices decrease, the maintenance of volume obviously will require an increase in the quantities sold. More customers or more sales per customer are not had for the asking—particularly if competitors, too, are asking. Increased effort may mean increased advertising expense. Increased numbers of transactions mean more packages to deliver, more sales to be made, perhaps more sales people to make them. If declining unit prices should be linked up with little or no increase in the purchasing power of the consumer, then the increase in number of units sold may not be sufficient to increase dollar volume or even maintain it. Fixed expenses will increase in percentage and the burden will fall doubly hard upon the control of controllable expense.

Obviously, if economy becomes a virtue, the most virtuous will be rewarded. Economy of operation and rapidity of turnover are again likely to take their places in the sun.

Public pressure for the reduction of expense has been increasing. During the past three years an increasing amount of attention has been directed toward the cost of distribution. Although much of the criticism is invalid, it has placed the burden of justification on retailers. Its harmful results may be many; its constructive results will arise from directing the attention of retailers to a closer study of their methods.

Definition.—The term "expense control" is subject to some confusion. Actually the phrase represents the entire activity which results in reasonable expense operation. For the purpose of this survey expense control has rather a dual significance—specifically it relates to the mechanism for watching and checking expenses, and in the broader sense it includes not only the mechanism but also the economic operation of the business

and the adjustment between economy and service requirements. This second meaning applies more particularly to the conclusion of this chapter, after the determination of the location of the mechanism of expense control.

When the expression "expense control" is used, there is an implied assumption that the function is recognized as a need; and there is also a less direct but nevertheless real assumption that the function is centralized. As a matter of fact, the function exists in most cases only as a consciousness that expense should be controlled, and actual centralization of the activity is found in but few instances.

Centralization and Operation.—To control expense, the necessary machinery must be not only built but also well directed and effectively operated. It is not sufficient for business to be either generally or intermittently conscious of the need of expense control. The control must be specific and continuous.

Centralization of expense control is the first step toward its effective operation. What is everyone's job is no one's responsibility. The technique of expense control is similar for all classes of expense. The same influences may create the necessity of all types of expenditure control, whether those expenses are related to advertising, administration, buying, selling, or service. Some centralized unit of organization should be watching those influences and relating them to expense control, as well as watching expenditures and relating them to the general factors of sales, profits, and outside conditions. The job is sufficiently important not to be tagged to the skirts of some other responsibility as a subordinate activity, relegated to secondary consideration in the matter of either time, emphasis, or the use of ingenuity. The study of expense should be in the hands of a man whose work and point of view are constantly related to expense control. To decentralize expense will prevent the development of specialization and create duplication of important steps in the process. It will be difficult enough to find and train one good expense-control man; it is immeasurably more difficult to find several. Not to

find them means to put part of expense control in the hands of those not adequately fitted for its proper exercise.

Possibilities of Location.—Once centralized, the location of the function of expense control on the organization chart has three reasonable possibilities:

1. Directly under the general manager;
2. Under the store manager;
3. Under the controller.

Under which of these three offices the function of expense control should be located depends upon an analysis of and the relationships between

1. The functions of expense control (what it is and what it should do);
2. The functions of each of the three divisions or offices under which expense control might be located;
3. The application of those principles of organization which seem to exist in business structures.

There is one other important and even determining factor—the human material available or actually filling each of the offices. The discussion of location of expense, for the purposes of this study, must of necessity neglect consideration of this important question. The problem of personnel is as specific in character as the human material in each organization—and that knowledge is not available to an outsider. To include the personal factor would remove all possibility of general conclusions and substitute for them a psychological service to test the fitness of men in order to assign jobs. Each executive must determine the degree to which he must modify a theoretically logical organization to meet the needs of the material at hand. He can, however, realize that a change in the principles upon which he should organize his business should be made only for good reason. Moreover, in a structure which varies as continuously as the personnel of a business organization he can gradually find men who will fulfill the requirements which he has set forth for his ideal organization.

That is really what an ideal organization is, a standard to be gradually approached rather than a mold into which all kinds of human material should be poured to take at once a rigid form.

The chief executive should be conscious of the variations from the standard of practice. The job he, as the chief executive, has to accomplish is determined for him by competitive conditions. He cannot mark down that job to fit any increasing desire for ease which advancing age may bring without finding his place on the business ladder snatched from him. Nor can he continue to cut the pattern of the individual jobs, which together make up his result, to fit the shrinking human material which family requirements or sentiment might bring him. The jobs are there to be done; he must find men to do them. He cannot afford to keep on fitting jobs to men. And if good organization requires two good men, safety requires two good men and not the overloading of one good man with two men's jobs.

It is of cardinal importance for the chief executive to know the jobs to be performed and how those jobs should be divided and assigned for their best execution. Gradually he can find men to fit the jobs, and until he does he should make such exceptions as the necessities of available material require with full consciousness of the steps he is taking. In that way he will protect himself against the vicious circle of setting the standard of an accomplishment by the ability of a man to accomplish.

Function of Expense Control.—It is impossible to assign the function of expense control until we know what that function does or should include. In its more complete form the function of expense control includes the following steps or operations:

1. Assembling of past and current figures into expense reports;
2. Distribution of preliminary budgets and past records to operating departments;
3. Review and modification of preliminary budgets received from operating departments upon basis of

   a. Management policy
   b. Own analysis and opinion;
4. Determination of budget after conference and necessary adjudication;
5. Checking of requisitions for expenditures against budget;
6. Checking actual expenditure against budget;
7. Day-to-day control through prevention of excessive expenditures, subject to veto of general manager;
8. Revision of budget upon basis of
   a. Changing general conditions
      (1) Sales
      (2) Profits
      (3) Comparative figures;
9. Direction of attention to items requiring special study for reduction of expense (possibly coöperating with operating department to reduce expense).

Where Function Belongs.—Does this work belong as all integral part of

1. The general manager's office or
2. The store manager's office or
3. The controller's office?

The first step is to analyze briefly the function of each.

The general manager may be said to have the following responsibilities or functions:

1. The determination of the policies of operation to obtain the desired end;
2. The determination of the general method of operation;
3. The determination of the form of organization to make the best use of the existing personnel;
4. The direction and inspiration of the personnel.

Just this brief recital of some of the general manager's functions should make it clear that the routine function of expense control should not be integrally associated with his activity. The

detail required is not in the nature of his work in broader principles. The job of expense control is often tied up with the word "no." Refusal to allow this or that expense is not conducive to popularity. The general manager who is faced with that requirement may lose his popularity and therefore his inspirational quality; or he may neglect to say "no" frequently enough. For him to support the expense office leaves the burden on the expense office; for him to override the "no" of the expense man credits him as general manager with generosity that increases in importance simply because it is given after a struggle and against the resistance of the expense man. This is only a matter of psychology, but so long as business organizations are made of human beings, psychology will be the chief motivating influence.

For the general manager to decide upon each individual question of expense will deprive him both of his perspective and of his judicial point of view. Close contact with operating details is excellent if that contact can be so close as to make each step subject to his close observation. But a relationship which gives no opportunity for intimate knowledge of all facts and prejudices decisions upon the basis of partial information may do much to remove the balance between the divisions which the general manager should maintain.

Specific needs require specific treatment. If the general manager becomes a party to each and every specific requirement—whether expense or merchandise—the action of the store will be based upon the treatment of individual situations. The maintenance of general policies will pass into the discard if the general manager decides actions upon the basis of specific conditions rather than upon the basis of those conditions in relation to a policy.

Once the general manager becomes a party to the details of operation, he will find that he cannot exert the necessary pressure upon his divisional offices for the accomplishment of particular schedules.

He should create policies and assign schedules to his divisional officers. He should hold them responsible for accom-

plishment. He should make exceptions with a thorough consciousness of the standards set and of the responsibilities assigned to divisional heads. If he becomes an operating unit, he will emasculate that sense of responsibility; he will prejudice the fulfillment of the standards which he should hold up to his executives.

The assumption of expense control by the general manager is likely either to cancel much of the value of the operation of the function or to stultify the business through the over-emphasis of economy.

The elimination of the office of general manager as a part of the organization to which the function of expense control should be integrally linked, leaves as choices the store manager and the controller. In the material collected as a basis of this study of organization, there is no evidence of the location of a centralized expense control office as a part of the general manager's office. Where the function is decentralized or unorganized there are instances of a partial and sporadic assumption of the details of expense control by the general manager. The major part of the activity is usually found either in the division of the store manager or in the office of the controller. In those few cases where the function has been centralized and made fully operative through the construction of effective machinery, the office of expense control is a part of either the store manager's division or the controller's office; and in most stores the store manager does whatever expense-control work is done.

If custom is the proper basis of decision, then it is the store manager who should be responsible for the function of expense control. If some other conclusion is reached, then the burden of proof is definitely upon that plan which upsets the usual order of things.

It is the responsibility of the store manager's division to give proper service to the patrons of the store. Proper service means intelligent selling; and this in turn depends upon the wise selection, effective education, and careful supervision of the selling

force. Good service also means complete stocks, good quality, a clean and comfortable store, and efficient delivery.

The title "controller" signifies that his job is to control. It is his responsibility to record the financial transactions of the company. By nature and experience he is fitted to interpret the statistical and accounting records. In most cases he creates the mechanism of control. The question is, should he make use of that mechanism to control?

Location of Expense Control Based on Organization Principles.—The relationship of expense control to the store manager and the controller should be analyzed upon the basis of the following principles of organization:

1. There should be a complete circle of responsibility for each division.
2. Up to the limits imposed by the requirement of a sense of responsibility, each department and each individual should specialize in a particular function.
3. Checks and balances should exist. The responsibilities of departments and individuals should be so arranged that the function of one should on important matters be dependent on and necessary for the function of others. This will eliminate the necessity of a great deal of supervision and will create perspective on important problems. The constant check will insure effectiveness.

First Principle.—In defending the location of expense control as a part of the store manager's division upon the basis of complete responsibility, it is possible to say, "The store manager's responsibility is service; that responsibility cannot be fulfilled unless there is freedom of expense control. To give service the store manager must be allowed to determine upon the use of the necessary funds."

But does the combination of service and expense represent a complete responsibility for either expense or service, or an unsatisfactory compromise between the two?

Expense control and service maintenance represent conflicting points of view. Service involves the expenditure of funds. Expense control requires the saving of funds. Maintenance of complete service may result in uneconomic operation. Rigid economy may impair service. Human beings are usually creatures of prejudice. One man handling both expense control and service operation is likely to be prejudiced in favor of one or the other.

If the same individual is responsible for both maintenance of service and expense control, will either be attained or can both be insured?

The controller should be charged with safeguarding the funds of his corporation. His job, if it is anything more than bookkeeping, should be controlling; and expense is undoubtedly subject to control. Those who feel that the store manager should control his own expenditures must determine the agency of controlling expenses other than his. To combine all expenditure control under the store manager means to delegate part of the mechanism to one who has no expert knowledge either of statistics or of the nature of those expenditures beyond his own sphere. The establishment of separate agencies for control of expenses incurred by divisions other than that of the store manager destroys whatever of value comes from centralization.

During the past decade there has been a constantly increasing competitive pressure to increase service activity. Paradoxically, there also has been a constant public and quasi-public demand from trade bodies and self-appointed spokesmen to reduce the cost of distribution. These two points of view are as antagonistic as they are real.

In the encouragement and growth of installment buying it is possible to see one of the elements of service used to attract volume. The supply of free garage or parking facilities is another evidence. Whereas information bureaus, ticket offices, and shopping bureaus have been established so long that they have become accepted as an integral part of the store machinery.

During this same period of growth of service luxuries the

Chamber of Commerce, the universities, the Department of Commerce, and individual authors have trumpeted the call to an attack on the high cost of distribution.

With such distinct outside pressure on stores to increase service and reduce expense, it is difficult to imagine how the two points of view can be combined successfully in one mind within the store.

It is essential to keep both expense control and service in mind. But it seems equally essential to make each a primary responsibility. Additions to service may affect too adversely the profit statement. Reductions in service may show greater profit, for the time, but may affect adversely the good-will and the competitive standing of the business.

That the operating departments of the store manager should be maintained efficiently and economically is unquestioned. Their responsibility, however, is primarily that of service. The responsibility for the control of expense is distinct and not either subordinate or superior to service. It is coördinate with service and should belong to the controller.

The Second Principle.—The second principle of organization upon which the location of the function of expense control depends is that of specialization. The nature of the job of expense control should determine in a measure its alignment in the division of activities.

As already has been seen, the centralization of the functions of expense control would include several types of expenditure which have little in common with the store manager. Among these would be included:

1. Publicity expense,
2. Administrative expense,
3. Buying expense,
4. Occupancy expense.

The only division of the business that has contact with all of these elements of expense is that of the controller. The common denominator is dollar expenditure and the recording of

dollar expenses is the responsibility of the controller's division. If there is to be centralization of the function of expense control, the process of elimination will leave the controller as the only branch of a department store organization which touches all phases of expense.

The analysis of the function of expense control presents the fact that the detail of the job is in the assembly, interpretation, and the use of statistics. Such details are not akin to the personnel, service, or mechanical function of the store manager.

Expense control in its complete form may involve steps beyond the reduction of those expenditures related to the service activity of the store manager. An expense condition of a department may direct attention to an abnormal mark-down situation, or the mark-downs may direct attention to both stock control and expense reduction. If the mark-down situation is an apparently unalterable condition, imposed by competitive or merchandise conditions, special effort may be directed to expense reduction. If the expense condition is subject to no correction, some outlet may be sought in the increase of initial mark-up or the reduction of mark-downs. The controller is the clearing house for both expense and mark-up data.

An expense condition may actually suggest the reduction of the space used by a department or even the entire elimination of a department. Such action may be highly desirable from the point of view of profit results. It may be very unwise from a service point of view. The department may represent an appeal which is essential for good-will, though unprofitable for the operating statement. The decision between profit and service should be made by the general manager upon the case presented by the representative of each point of view—namely, the controller and the store manager.

Expense budgeting and control are allied closely with merchandise budgeting and control. Usually the controller is informed more closely regarding merchandise conditions and control than is the store manager. Very often expense budgeting depends upon planned merchandise figures, including sales and

stocks. This is true especially of publicity and selling expense. Merchandising figures change as the planned figures are converted into actual history. Expense figures should be subject to the same modification. Again, the controller is the pivotal office of the department store for the use of the effective interrelationship of sales, profits, and expense.

The necessity of applying general conditions or trends of sales and profits to expense is a real one, but may not be always indicated by service requirements. If sales volume decreases coincident with an increase in transactions (through reduction of unit prices), service requirements may suggest increased sales force; profit requirements may suggest reduced expenses. Sales volume may be increased through decreased profit margins, sacrifice sales, or increased publicity. The controller interested primarily in net profit should exert influence upon and direct attention to those elements which constitute net profit—gross margin, markdowns, and expense. It is entirely reasonable for a store to find itself in a situation in which service requirements are apparently increasing, and profit standards require a reduction of expense. It cannot be stated that under these circumstances either expense or service requirements should rule. But the decision of policy should be made only with the service man defending service requirements and the controller protecting expense standards.

It would seem clear, therefore, that the routine of expense control is naturally allied to the function of the controller.

Third Principle.—The third principle of organization upon which the location of expense control should be determined is that of checks and balances. Checks and balances should exist. The responsibilities of departments and individuals should be arranged so that the function of one on important matters should be dependent on and necessary for the function of others.

If the discussion up to this point has been reasonably valid, it should be clear that the application of the principle of checks and balances requires the assignment of service responsibility to the store manager, and that of expense control to the controller.

A rearrangement of the material already advanced but presented with specific reference to the exercise of checks and balances gives ample support to the assignment of the function of expense control to the controller.

The store manager incurs a large part of the total expense, especially that part of expense which is controllable. Therefore the check upon these expenditures should be in the control of some agency which will compare need and use of funds with the ability of the corporation to spend money.

Service requirements may remain constant or increase coincident with the advisability of reducing expense. Decreasing volume may accompany an increasing number of sales transactions, or volume may remain constant or increase at the same time as profits decrease. Under such conditions it is important that service expenditures and expense control should check each other.

The requirements for service are competitive, and good-will usually depends upon its existence. Therefore, expense control should be checked by the responsibility for effective service.

The requirements for expense control are measured in terms of profits; a virile business depends upon the existence of those profits. Therefore, service expenditures should be checked by the responsibility for expense control.

Service and expense control are essential requirements, and each must be protected. But each is likely to be protected only if it checks and balances the other. It is difficult to find one man who can balance effectively these two requirements in his own mind. That balance is maintained best by assigning each responsibility to one man. The store manager who is an excellent service man is likely to justify high expense upon the basis of service requirements. The store manager who is a good expense man is likely to sacrifice service.

Let the store manager emphasize service. The controller not knowing needs intimately will check expenditure upon the basis of available funds.

Conclusion as to Location.—It would seem clear, therefore, that the mechanism of expense control should be maintained

by the controller. The division of responsibilities, the centralization of functional activities, and the normal and effective checks and balances of a well-constructed organization point to this conclusion.

It is important that the proper point of view should be instilled in those who are to operate a particular division of the business. The philosophy or attitude toward a job is an important element in its proper execution. It is advisable to know what general direction one is taking if a proper route is to be mapped out. An aim in a business or in a job is as essential as the aim in rifle practice. Knowing in general terms what one is trying to do will aid in the construction of the proper machinery and its effective use.

Operating Effectiveness.—The effectiveness of expense control obviously does not depend alone upon the location of the central office on the organization chart, or upon the general philosophy of the function of that office. The operating basis of control is essential; both the place of the office in the organization and also the point of view which influences its operation have been set forth primarily because they are of use in increasing its operating effectiveness.

In the analysis of the proper location of the expense office, emphasis, or perhaps overemphasis, has been placed upon the distinct and apparently conflicting points of view of the store manager and the controller. This has been done not to suggest that a business organization should be a squared ring in which battles of divisional officers should be continually staged, but rather to avoid confusion which would result from injecting the modifying influences before we know what points of view we must modify.

The divisional managers must realize that coöperation is necessary. Where these differences in point of view exist, they will be adjusted by conference between the interested parties. Each man must realize that a difference in viewpoint results from the different angles from which various individuals look at a

problem. The difference in attitude toward expense and service or expense and advertising is not personal, but the result of an effort of each divisional head to fulfill his responsibility.

It is important to create the necessary organization for the exchange of opinions and for the adjudication of differences resulting from various operating points of view. In this analysis the problem of adjudication has been assigned to the general manager.

Common sense requires that the operating departments should watch expense. Control is not useful beyond the point of spending as much money to control expenses as the total which can be saved. The method and organization of budgetary control should be simple and should be measured by the savings to be made as well as those made. The records of control should be available to the operating department as a useful mechanism; just as is true of merchandise control machinery.

It is possible to supply current information to operating departments from a centralized control office. Or it may be advisable to supplement such information from a central point by additional detail, interpretation, and checks through one or more decentralized control-office units located close to the operating departments but responsible to the controller.

In the case of expense control such a control unit might be located near the office of the store manager whose activities consume most of the funds appropriated by expense.

Control of expense, to be effective, should be based upon the control of requisitions for money to spend rather than bills for money already spent. The latter represents a tardy attempt to prevent the outlay of funds. In a great many stores the requisition is used as a basis for authorizing expenditures. The authorization, however, is often a formal act involving a signature of one who has an incompletely informed opinion. Only in one or two cases is the authorization of a requisition related to a comprehensive, well-planned, and well-operated budget system.

The mechanism of future expense control will include the

use of budgets and the control of requisitions. Its efficient use should do much to safeguard profitable operation.

Summary.—Summarizing an analysis of the function of expense control it would appear that

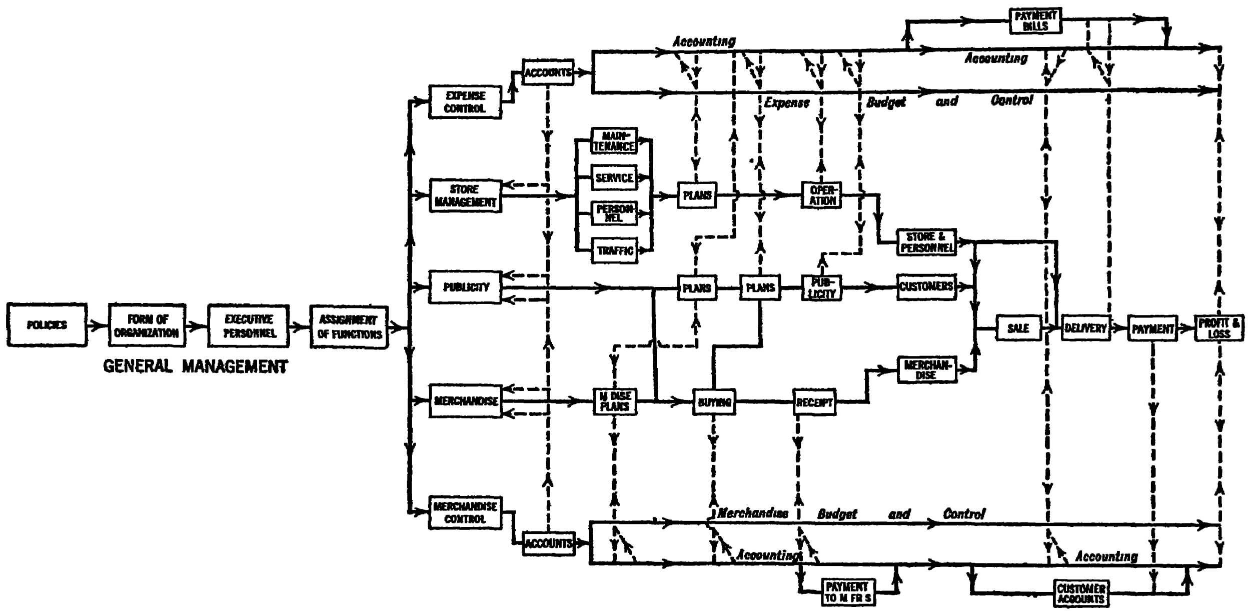
1. There is evidence of growing interest in the problem of expense control;
2. There is likelihood of expense control becoming increasingly important;
3. Budgetary control is inevitable;
4. Control through requisitions is the best method;
5. The function of budgetary control should be centralized;
6. The function of expense control should be the responsibility of the controller, actual economies should be the work of the operating departments;
7. The assignment of expense controller depends upon his being capable of assuming the responsibility.

It would be of no use to give the responsibility to a man who is not recognized as coördinate with the store manager, publicity manager, and merchandise manager. The assumption in any theoretical study of organization is that the right man is found for each important job, rather than that the job is made to fit the man.

PART II

SUGGESTED DETAILS OF ORGANIZATION AND OPERATION

In the following pages there are presented the important details of organization and operation by which the plan evolved in Part I is made effective If there existed some store which had in force the entire hypothetical plan suggested, a description of its organization units and of the routine procedure which it followed would be identical with the organization structure and operating procedure described in Part II.



PROCESS OF OPERATION OF DEPARTMENT STORE
SHOWING OPERATING STEPS IN TIME SEQUENCE

Read from left to right

Accounting and Control Relationships in dotted lines

CHAPTER IX

THE GENERAL MANAGER AND THE STORE PROCESS

ORGANIZATION

General Manager.—Is responsible for net profits, growth, and permanence. Determines policies of operation form of organization. Provides chief executive material. Reviews plans. Checks operation. Adjudicates conflicts created by operation of opposing policies. Maintains contacts with external forces. Participates actively in work of buying associations.

Board of Managers.—Meets regularly with the general manager. Representing all points of view of the business, reviews policies, plans, and other operating results. Supplies general manager with all necessary information and opinion concerning internal operation of the store. Puts into force all plans. Follows up all predetermined actions.

Research Department.—Makes such specific studies as the general manager may require.

THE PROCESS

Although the establishment of the proper operating procedure is an essential element in converting an organization plan into a working mechanism, the most important functions of the executive personnel are not subject to codification. The inspirational qualities of leadership, the constructive ideas of the creator, and the judgment required by conditions not anticipated are the driv-

ing forces of business. They are not subject to specific location on the process chart.

The most important activities of the general manager, particularly, are those which cannot be codified. It is possible, however, to work out at least a partial program of the general manager's activities.

It is reasonable to take as a starting point a date several months in advance of the beginning of the fiscal year. At that time the general manager should review the policies upon which the operation of the business is to be based. He should take into consideration the heritage of the store, the conditions which surround it, and the changes which he feels must be made to maintain a standard of effectiveness.

To each of the members of his board of managers he may assign the task of developing those policies upon which the operation of each of the four operating divisions should be based. Discussion in the meeting of the board of managers may follow. But eventually the policies should be determined by the general manager himself.

With the policies completed, the general manager should analyze that form of organization best fitted to fulfill those policies adequately. He should review his actual—not theoretical—organization and make such changes as are necessary. If the personnel is not available in his organization, he must obtain the proper human material, or he must modify his organization plan to combine best the use of his personnel and the protection of the desired principles of business operation.

With the organization structure planned and manned, the general manager is now ready to assign duties, responsibilities and powers, and to instill points of view in his divisional chiefs. He does this through memoranda and discussions both in private conferences and in meetings of the board of managers.

From each of his managers he should require concrete assurance as to the effectiveness of the mechanism developed and the adequacy of the personnel for the fulfillment of the requirements of each division.

The store machinery complete and the personnel on the job, the process of store operation proceeds to planning, execution, and review. The general manager is a party to all three. He may prescribe the foundations upon which the plans of operation shall be based; or he may review the plans of his managers to assure himself that the policies are protected. In either event he will use the instrument of the board of managers to bring him information and also to put into force such decisions as he may render.

In the regular meetings of the board of managers, the operating results of the business should be surveyed and discussed. Changes in plans and in methods will be put into force through the four members, each of whom is in charge of one of the operating divisions of the business, and all of whom together command the entire operating mechanism.

Such ideas and conclusions as may come to the general manager through his contacts with other stores or through his study of specific or general conditions should be discussed in the meetings of his line officers and should be put into force through them.

Merchandise Planning.—All the preliminary stages of individual department planning and of combining the separate estimates into a total store budget are carried out by the controller and the executives of the merchandise division.

When the controller and merchandise manager have thrashed out each important estimate, the budget is presented to the board of managers presided over by the general manager.

Here the differences which may still exist between the merchandise manager and the controller on the details of the budget are set before the general manager. This conference also gives the general manager an opportunity of getting the reaction of the store manager and the publicity manager to the mechandise plans. The general manager studies all points of view and renders his decisions.

Budgeting throws into relief problems of merchandise policy. The very nature of merchandise planning—its determination of

the course to be followed—brings up important questions of policy. It provides an opportunity for all points of view to be presented, for each matter to be thrashed out and finally, a decision to be rendered which will serve as a guiding principle in operation. Merchandise policies may have been settled before the budget was discussed. But these budgeting conferences provide an opportunity to see the effect of the policy in terms of probable investment.

Merchandise planning presents for reconsideration the question of the class of trade that the store should aim to attract.

Merchandise budgeting may raise the question of adding or dropping such departments as furniture, clothing, piece goods, and men's wear.

The problem and policy of turnover require consideration. What balance should be maintained between complete stocks and rapid turnover? What should be the policy of the store in regard to investment in inventory in the face of a business decline or declining prices? Should the store go in for job-lot purchases to secure rapid turnover, or is it essential to maintain complete lines of regular merchandise?

The time of planning affords the proper background in which to determine the initial mark-up policy of the store. The publicity manager and the merchandise manager will no doubt present to the general manager the difficulties of maintaining or increasing volume unless competitive prices are met or even shaded; the controller, on the other hand, will stress the importance of mark-up in the maintenance of net profit.

Mark-downs present another problem of policy. Although the merchandise division must be able to take mark-downs to move unseasonable merchandise, the controller is always anxious to minimize this great inroad into net profit. Budgeting mark-downs helps to furnish an index of probable gross margin.

Merchandise Control.—As merchandise planning is converted into operation, the functions of the general manager merge

into those of administration. Periodic merchandise reports should keep him in touch with the current situation of sales, stock, mark-up, mark-downs, and turnover.

The entire process of merchandise control with all its statistics and routine is directed toward carrying out the merchandise policies of the store.

Ordinarily the general manager plays no part in the details of merchandise condition or control. Occasionally, however, some particular transaction comes up which cannot be settled without him. It may be a purchase which the merchandise manager wishes to make—a rare opportunity to execute a real surprise in competitive circles, a special price, and a large volume of sales. But the controller opposes the deal because the department concerned is already heavily overstocked. The general manager must decide between the enthusiasm of the merchandise manager and the caution of the controller.

The General Manager in Expense Budgeting.—The general manager meets the expense budget in its final phase when it is presented to the board of managers for approval. All the preliminary individual estimates have already been gathered together by the controller's expense office; the controller has gone over the estimates of each division with the division head, and most differences have been thrashed out. There still remain, however, those differences of opinion between the controller and the division heads which will inevitably arise when each tries to carry out his responsibility. The adjudications of those differences are likely to involve questions of policy and should be the work of the general manager.

Expense Control.—The general manager should administer the business in such a way that the plans laid out in the budget are made effective, so far as is advisable.

It is essential that he give expense control the benefit of his support.

Periodically the general manager will receive expense reports which will show him to what degree the divisions are keeping

within their allowances. These reports will reveal to him any unusual situation which requires following up.

When all is going smoothly and no division oversteps the budget, the general manager will hear little of expense control. But when the budget plans are in jeopardy and the controller stands firm in his attempt to keep expenditures within the limits of the budget, the general manager must decide between the existing issues and the conflicting policies.

Publicity.—The start of the publicity process is in the making of plans. The general manager should study these plans and consider them in relationship to his publicity policies. The publicity manager should present to him from time to time proposals to increase volume or to establish more firmly the good-will of the store. The general manager should be the final judge of the advisability of putting these ideas into force.

There may be times when the publicity division, in carrying out its responsibilities, will refuse an application for space for a feature in which the merchandise division has great faith. The buyer will take it up with the division merchandise manager and the merchandise manager. Together they will present their case to the publicity manager. Should he still feel that the item has no place in the public announcements of his store, the merchandise division may appeal to the general manager for decision.

If the publicity division discovers that the store is not satisfying the policy of meeting competitive prices, it should report the matter to the merchandise manager in the meeting of the board of managers. The general manager should impose the necessary requirements upon the merchandise division. If a choice between maintaining mark-up and cutting prices must be made, that choice is the responsibility of the general manager.

Though the general manager takes no part in the bustle of copy preparation, he should examine the publicity of his store to make certain that its character is in line with the store policies.

CHAPTER X

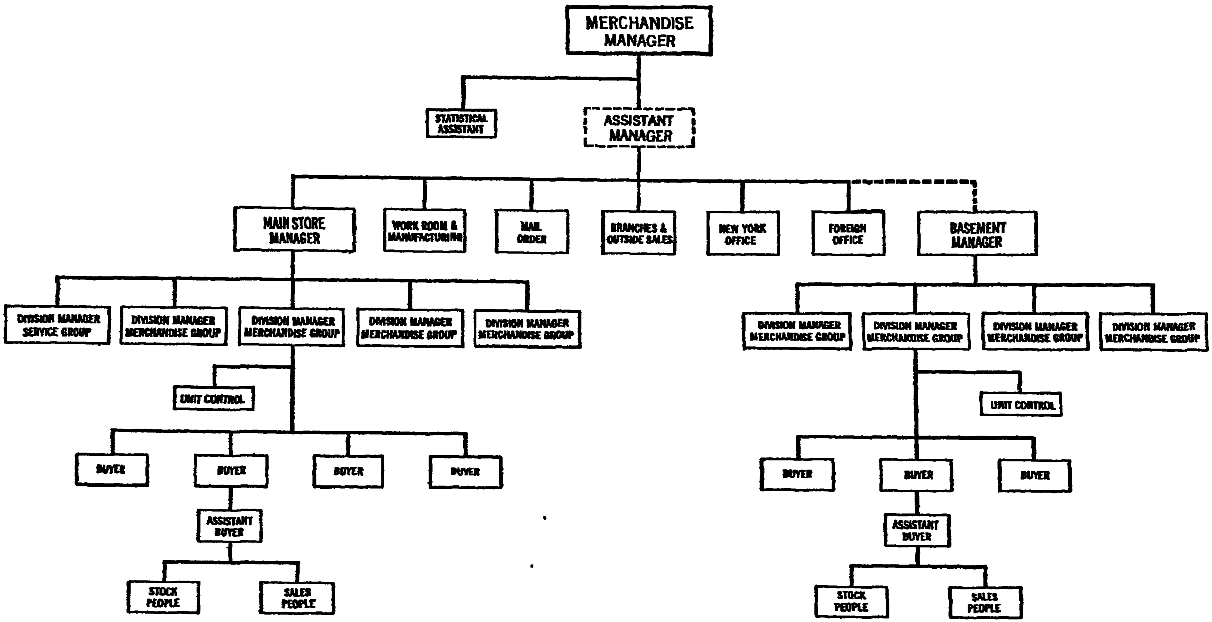
THE ORGANIZATION AND PROCESS OF MERCHANDISE DIVISION

ORGANIZATION

Merchandise Manager.—Makes effective those policies assigned to him by the general manager. Supervises the merchandising of the whole store. Directs and coördinates the work of the divisional merchandise managers. Assembles the merchandise budgets of individual departments and divisions into a total store budget. Together with the controller fixes the total investment in stock as well as the gross margin aimed at. Through the merchandise reports checks up current stocks, purchases, sales, mark-ups, mark-downs, and expense. Makes a thorough investigation wherever figures indicate a poor showing. Confirms all orders. Studies every large order and every order near or over the "open-to-buy" limit. Supervises the budgeting and control of merchandise expense.

Supervises all domestic and foreign market offices, and coöperates with buying associations to secure the utmost advantages of joint merchandise and research opportunities. Watches general price levels and fundamental business conditions as bases for determining merchandise stock operation.

Creates merchandise ideas. Coöperates with the other divisions in functions in which they are interdependent.



SUGGESTED ORGANIZATION
OF
MERCHANDISE DIVISION

Division Merchandise Manager.—The hub from which merchandise control emanates. Counsels and checks the buyer. Helps the buyer prepare his figures in merchandise budgeting. Groups department figures into a division total. Checks the individual showing of each department as revealed in the merchandise report. Enters into every phase of sales, stocks, purchases, mark-ups, mark-downs, and expense. Associates intimately with the buyer and works with him to increase sales, reduce stock, clear out old merchandise, increase mark-up, and control mark-downs. Helps, if necessary, in the selection of merchandise. Supervises the piece system through the reports of a unit-control clerk. Superintends maintenance of this system and its use by buyers. Makes sure that the buyer uses frequent summaries from the piece records. Makes out monthly unit-buying plans with the buyer. Keeps in close touch with style tendencies for each of his departments. Occasionally makes trips with the buyer to the market to help locate the best resources. Discusses all important purchases with the buyer. Approves every order after checking it with the "open-to-buy."

Helps the buyer select the best items in planning merchandise features for publicity, and helps him procure space for them in the advertising and display plans.

Assists the buyer in his expense budgeting for sales force, advertising, display, and travelling expense. Throughout the process of expense control backs up the buyers with an analysis of figures and a broader point of view.

Unit-Control Clerks.—Attend to the operation of the piece-control system under the supervision of the division managers. Record information on unit receipts, sales, and returns. Compile summaries of unit

sales and stocks to be used in buying and in clearance of slow-moving merchandise.

Buyer.—Makes the merchandise plans for his department aided by his division merchandise manager. Buys merchandise. Finds resources. Keeps in touch with style tendencies.

In his responsibility for selling superintends the sales force. Helps the store manager determine the numbers needed; helps train sales people; recommends promotion, increase in salary, transfer, or dismissal.

Makes merchandise feature plan for advertising and display, and works in coöperation with the publicity division in the promotion of features. Assists the publicity division in the selection of merchandise for advertisement and window display. O. K.'s proof to be sure that the advertisement is an accurate description of the merchandise in the store.

Inspects merchandise on arrival; sets retail price; O. K.'s invoice for payment and marking. Sees that department is kept clean and in good repair. Secures supplies. Coöperates with controller and store manager in keeping expense as low as possible.

Assistant Buyer.—Assists the buyer in department management. Directs sales force. Attends to much of the department routine—getting information, follow up, filling out forms. Assists in inspection of receipts, follow up of orders, care of stock, supervision of sales force, details of publicity. Does some buying.

Head of Stock.—Has responsibility for the transfer of merchandise from the receiving room to department and for the care of stock in the department. Arranges for transfers and returns to the manufacturer. Supplies information to buyers and sales people.

Stock People.—Assist head of stock. Carry stock from receiving room to departments, and from reserve to forward stock.

Salespeople.—Serve customers and effect sales transactions. Give assistance and service to customers. Fill out want slip where item called for is out of stock. Arrange and care for merchandise in department.

Head of Workroom.—Reports to merchandise manager. Superintends all alteration, busheling, and repairs. Sees that repair people from workroom make daily round of departments to give minor touches to merchandise requiring it. Often gives distinguishing touches to merchandise which is otherwise identical with merchandise on sale elsewhere.

New York Merchandise Manager.—Reports to merchandise manager. Provides headquarters for buyers; searches market for resources; arranges for manufacturers to present samples; prepares style information. Follows up orders to insure deliveries.

Statistical Assistant to Merchandise Manager.—Analyzes reports coming to merchandise manager and marks outstanding phases for his study. Studies all merchandise reports, all expense reports, all comparison office reports. Checks "open-to-buy," mark-up, and price lines on all orders; approves all mark-downs. Sends anything questionable to the merchandise manager. Keeps in touch with summaries of piece-record system. Aids in both expense and merchandise planning.

THE PROCESS

Merchandise Budgeting and Planning.—The first step in merchandise operation is planning. A valuable aid is a carefully estimated merchandise budget for each month of a six months' period. All the executives of the merchandise division

should take part in merchandise planning rather than have it represent the work of an isolated statistician.

The process begins in the statistical office under the controller. Here is compiled the merchandise history for the past years for each department—the sales, stock, purchases, mark-up percentages, and mark-downs. This information is to be used as a basis for plans.

The following information should be included in the plan:

1. Planned sales for each month.
2. Planned stock at the beginning of each month.
3. Planned mark-downs for each month.
4. Planned purchases for each month.
5. Estimated per cent of initial mark-up.

If the plan is made for a six months' period, it should be in dollars, not in units. For such a period in advance, planning in units is not only very difficult, but of little practical value. Unit planning is of the greatest importance, but should be for shorter periods and should come closer to the actual buying time. It is included in the buying process described later.

Each division merchandise manager should distribute to the buyers under him the past figures prepared by the statistical office.

The budget should be a sound estimate of the actual expected sales. The plans should be the result of an intelligent weighing of the following factors:

Past figures
Recent months' performance
Business conditions
Style factors
Growth of the department and of the store
Time needed for delivery
Transportation conditions
Competitive situation
Market, price, and labor conditions in particular commodities
Proper relation of stock to sales
Individual department problems

Seasonal fluctuations of sales
Plans for special purchases or events.

The buyer should prepare his own budget. When the buyer has finished his computation, he should meet with the division merchandise manager to discuss the figures.

The merchandise manager should go over the individual department and division estimates and should revise them from a total point of view.

The estimates of each department arranged by divisions should be assembled into a total store budget by the merchandise manager working with the controller. The controller is not necessary in the preliminary departmental planning because he does not know enough about individual departmental conditions. His coöperation is essential in the total store plan because of his responsibility for:

1. Total investment in stock and financial arrangement to provide funds to carry this stock;
2. Net profit,

In the study of a total budget the controller is primarily interested in stock-turn and net profit. He will be interested in the figures for total stock, and the resultant stock-turn. He realizes that net profit is the result of initial mark-up minus mark-down and expense. His questions and criticisms should help to make a sound budget.

At this stage the tentative expense budget for the same period will be ready, and the planned gross margin for the store can be compared with this percentage of expense. The controller, through the central expense office which reports to him, should compare the planned gross margin of each department with the planned expense for that department. When a department is planned to operate at too low a net profit or at a loss, steps should be taken to remedy the situation before the period begins.

When the merchandise manager and the controller have

worked out a total budget, it should be submitted to the board of managers for approval Here the general manager should settle whatever differences may exist between the controller and the merchandise manager.

A well-made plan is of real value in merchandising operation. Merchandising involves purchasing in advance, and therefore many events are based on some estimate—even though it be the result of intuition rather than of logic. It would seem more advantageous to use a logical plan.

When the store, by intelligent forecasting, has anticipated most of the season's developments, it will be able to handle easily sudden changes that may arise. A merchandise plan blocks out the probable trend of affairs, anticipates the problems and prepares for them.

For example, if a store should foresee a six months' period of declining prices it should make provision in its plans for stocks smaller than usual and for more rapid stock-turn. The board of managers can set the total limit above which the stock should not rise. Such a policy closely followed will prevent large losses in inventory.

To be effective the budget should be periodically revised in the light of current developments as the season progresses. This can be made a part of the process of merchandise control. A merchandise budget that is constantly revised can be used as a basis on which to determine purchase allowances and as a standard by which performance may be judged.

Merchandise Control.—Having completed the budgeting, the merchandise process proceeds to buying and control over buying. The process may be clearer if we follow it first through the budgeting into dollar and unit control, and then through the actual selection of merchandise.

Merchandise control is the continuation and the application of the budget figures during the period of performance. It aims to achieve those results—increased sales, rapid turnover, high profit—which the store has planned in its budget. Dollar con-

trol centers around frequent merchandise reports showing the actual events in each department—a merchandise news bulletin.

Such reports are compiled by the statistical office under the controller. They should tell the story of performance for each department and the totals for each division and for the store. The reports should include the sales of each department for the period and cumulative to date, the stock on hand, orders outstanding arranged by month of delivery, percentage of initial mark-up, and the percentage and amount of mark-downs. There should be added past figures and the planned figures from the budget for comparison with the current results.

All the members of the merchandising division should study these reports carefully. They will tell the merchandise manager whether the store is reaching its planned sales figure. He can determine which departments are going ahead and which are falling behind. The condition of the stock is of great importance. These dollar figures will reveal an overstocked situation in any department, and the merchandise manager can turn the searchlight of investigation in that direction. Mark-up and mark-down figures will show the gross margin for the department and will point out the spots where improvement is necessary.

The division merchandise manager should study closely the figures for each of his departments. He should discuss all the figures with the buyer and plan measures to improve the department.

The planned figures of the budget to be most effective should be constantly revised by the merchandise manager and the controller. When the division merchandise manager and the merchandise manager ask for an important change which will materially affect the total for the store, the check of the controller is important. When the merchandise executives and the controller cannot agree, the matter should be settled by the general manager. When the change is a minor one, a mere transfer of allowance from one department to another, or a slight change in planned sales, the controller need not be a party to the change. In this way the merchandise division can have flexibility in small

changes without the power of initiating any great deviation from the plans.

From the planned figures and the current position of stocks, an "open-to-buy" allowance can be computed for each department. The planned sales for the remainder of the month, plus the planned stock at the end of the month, less the stock on hand and on order, will give the amount each department is "open-to-buy" for the month. The statistical office under the controller should compute this "open-to-buy" from the figures of sales, stocks, and on order, and make this "open-to-buy" allowance an important part of the merchandise report.

The division merchandise manager can make this "open-to-buy" figure effective. Each order for merchandise should come to him for approval. He should compare the amount of the order with the department's "open-to-buy." In this way a rigid control over purchases may be obtained. Orders should be confirmed also by the merchandise manager's office.

An important part in merchandise control is the control of mark-downs. When a buyer wants to take a mark-down because of slow-moving merchandise, because of shopworn or damaged merchandise, he should fill out a mark-down authorization. This should be signed by the division merchandise manager and the merchandise manager in order to give them a chance to study the reasons for price change.

All changes in price should be made, if possible, by representatives of the marking room upon presentation of signed mark-down authorizations. Only by such a method can a store make sure that all mark-downs are recorded. The old method of taking mark-downs—the use of a blue pencil in the hands of a buyer on the spur of the moment—leaves many a mark-down unrecorded. Failure to record mark-downs constitutes one of the principal causes of book errors leading to stock shortage. Moreover, accurate mark-down information is essential for intelligent merchandising.

At the same time that the division merchandise manager and

the merchandise manager are reviewing the merchandise report, the buyer receives the report for his own department. He should study it carefully and discuss it with the division merchandise manager.

The controller is important in dollar control, but his point of view is different from that of the merchandise division. His primary interest is in the total figures for the store. He should study these carefully to determine if the store is performing as planned in regard to sales volume, position of stocks, mark-up, mark-downs, and net profit. Though he need not go into the intimate details of each department, he should keep an eye on the individual position of each department, mark those which need investigation, and bring such departments to the attention of the merchandise manager, or if necessary, to the attention of the general manager.

Unit Control.—Dollar control tells but little about the individual items of a department, little about the styles, the sizes, and the price lines. This information is vital, and can be provided accurately only through some form of piece or unit record system. There are many such systems varying in details of operation. The main purpose of each is to provide an itemized analysis of sales and stocks.

This information should be used to improve the stock-turn and maintain complete stocks with a minimum investment. It should show the best-selling price lines, and enable the store to concentrate on them eliminating the poor lines. It should show the popular styles and items, the favorite colors, and the sizes of the items wanted. All this will enable the buyer to keep his assortment complete in items and sizes, and free from all slow-selling stock. A more detailed system will give an analysis of mark-downs for different items and will enable the store to determine the most profitable items. With some extra work it can show the results secured on the merchandise of each resource—valuable information in purchasing. An additional accomplishment of the unit-control system is the reduction of stock shortages

by providing frequent checks on the number of units supposed to be in stock.

The information is secured either from sales slips or from price-ticket stubs, or by frequent inventories. The records are usually kept in card-index files. Some systems are elaborate, with many colored tabs and flags; others are more simple. Systems should be installed only in those departments where the savings they bring will outweigh the extra expense they involve.

In the installation and molding of a piece-record system the controller should play an important part; but the actual operation should be under the supervision of the division merchandise manager. The division manager should supervise its operation. Separate clerks under his direction should attend to the recording of the information and the compilation of frequent summaries. Each clerk may have charge of several departments, the number being dependent on the time required for the work of each department.

To secure maximum benefit from the records, frequent summaries should be compiled. These summaries should show the number of sales for each item in the department, disclosing the fast-selling which should be reordered and slow-selling items which should be cleared. These summaries and recapitulations prevent information from being buried in the records and bring it to light to give maximum assistance to merchandising.

Actual Buying and Merchandising.—When the buyer is ready to add merchandise to his stock, he should go over his piece records carefully and over the stock itself to estimate how many of each item he should buy. A summary of the items in stock will be of great help here. He should then look at the amount he is "open-to-buy" and compare the total amount of his itemized list with the "open-to-buy" allowance.

Together with the division merchandise manager, the buyer should draw up a definite plan of the number of items at each price that he intends to buy. They should determine from the piece records and the recapitulation of sales by units those price

lines in which the bulk of the business is done. They should aim to purchase quantities as small as is consistent with a satisfactory assortment, time necessary for delivery of reorders, quantity discounts, and market opportunities. The piece records and summaries drawn from them give a definite indication of the sizes, colors, and styles needed.

Acting on his own analysis of style trends and on information supplied him by the division manager and the publicity department, the buyer should include new style items.

An important factor in profitable retailing is the clearance of unseasonable and slow-moving merchandise. From the unit records the division manager, the buyer, and the clerk should list items that either are moving slowly or are nearing the end of their period of rapid sale. Together the buyer and division manager should plan steps to move them. An occasional physical examination of the stock will supplement a study of the piece records, and in addition will disclose soiled merchandise.

An important factor in buying plans is the assistance given by the advertising manager. In making their unit-buying plan, the buyer and division manager should at the same time work out a plan of items to be featured and advertised. In department stores, customers do not buy their merchandise evenly throughout the year but take advantage of offerings staged at the right times. Unit plans should take this factor into consideration; the unit records of previous years should be studied to ascertain the times at which items have moved. The results of special advertisements, as shown in the copy writer's reports, should be studied. The possibility of securing large volume through special offerings will affect the unit plans.

Buying.—With his unit-buying plans approved, the buyer should set about to secure the merchandise to carry them out. Salesmen may come to visit him. More often he will go to the market to find the merchandise to fit into his scheme. All buying plans should leave some freedom of action for the initiative of the buyer. Should special opportunities occur, he should take

them up with the division merchandise manager and the merchandise manager for additional appropriations. In this way the "open-to-buy" allowance is effective for most purchases, but freedom remains for special action under unusual circumstances.

The actual buying occurs when the buyer places the order for merchandise with the vender. As explained before, merchandise control is made effective by the necessity of having this order confirmed by the division merchandise manager and by the merchandise manager. Here the order is checked with the "open-to-buy" allowance. Buyers should be required to put the proposed retail price on the copy of the order that goes to the merchandise office. This will enable the division manager and merchandise manager to check the prices.

New York Office.—The principal market for merchandise is in New York. Merchandise representatives in New York can be useful not only in providing headquarters for visiting buyers and in following up orders to secure delivery, but also in aiding in the selection and purchase of merchandise. The New York office should help the buyer find those items which he has on his buying list. It should seek out for him the best possible resources. Close to fashionable events, the New York office should forecast style tendencies. In touch with the manufacturing world, it should know of special jobs and bargain lots.

Group Buying.—The association for group buying is a further step. The association office may act for several stores. Group buying may include all purchases or be restricted to foreign purchases.

There are several forms of group buying. There is the resident buyer whose office is the headquarters for department stores scattered over the country. He acts as a representative of these stores and when it is possible he pools their orders. Resident buying has developed chiefly for small stores unable to support a New York office of their own. In coöperative associations, another example of group buying, groups of large department stores band together for research and joint purchases. The

final form of association for group buying is consolidation—chain department stores. All forms of organization for joint purchasing are still in the early stages of development.

Supplementary Assistance in Merchandising.—Unit records do not tell the whole story of consumer demand. They do not show what sales are lost when the item called for is not in stock. This information may be supplied by the filling out of want slips whenever the customer asks for some article which the store does not carry. The sales person, upon receiving a request for an item not in stock, should record it on a standard call slip. These slips should be collected and tabulated by the comparison office. From this tabulation, the comparison office should prepare a list of items for which there has been more than a casual demand.

The comparison office should send this list to the buyer, who should fill in the reason for the item's being out of stock. The sheet with these reasons should be sent to the publicity manager and the division merchandise manager. These executives together with the buyer can determine which items should be filled.

Check on Basic Stocks.—There are some articles which the store should have in stock at all times. To make sure that these stocks are maintained, the comparison office should make a count to check on complete lines at irregular intervals. If action is necessary the comparison head or his superior, the publicity manager, should take up the matter with the merchandise office. The publicity manager is interested in maintaining the promise of complete lines which he makes to the public.

Shopping Reports.—The reports of the comparison office should be studied and acted upon by the merchandise division.

The Merchandise Division in Receiving and Marking.—After the order is written and sent to the manufacturer, the buyer must follow it up to secure delivery at the right time. In this work the buyer should make full use of the New York office.

When the merchandise arrives it should be received and checked in a centralized receiving room. When the goods are checked and ready to be marked, the buyer should inspect the merchandise. He should examine it carefully to see whether it corresponds to the merchandise ordered, whether it is in good condition, and whether it corresponds to the charges on the bill. He should then reconsider the retail price upon which he decided at the time of making out the order. If market or competitive conditions have changed, the retail price may have to be modified. When all is satisfactory, he signs the invoice which releases it for payment and puts the retail price on the marking slip. The merchandise is then marked.

The buyer should at all times know what is in the receiving and marking rooms. Rapid movement through receiving and marking is essential, and the buyer can coöperate by indicating the order in which he wishes the various lots sent through.

The merchandise is taken to the reserve stock rooms or to the selling departments by the stock people. In putting the merchandise away on racks, shelves, or counters the stock people should examine the merchandise carefully for defects. While in the department the care of the stock is in charge of the salespeople, each of whom usually is given a small section to look after. They also should frequently inspect the merchandise to see that it is in good condition. Small repairs should be made by the salespeople or by the alteration department.

Often merchandise must be returned to the manufacturer. When the buyer wishes to return goods to the manufacturer he should make out a return authorization. This should be approved by both the division manager and the merchandise manager to make sure that the return is justified. The merchandise should then be sent to the shipping room for actual return to the vender.

The Merchandise Division in Selling.—The buyer has two powerful weapons to aid him in disposing of the merchandise he has bought. First he has the personal efforts of the sales-

people under him. Second, he has publicity—newspaper advertisement and window display to attract people into the store.

The buyer is chief of the sales force. He should see that they do their job adequately. Together with the assistant buyer, he should watch them and help them in their selling. He should correct his salespeople when they need correction, but should at all times inspire them to put forth their best efforts.

The salespeople look to the buyer for information. There is much that he can tell them about the merchandise which will improve their selling. He can explain each material to them so that they can give intelligent information to their customers. He can give them the latest style information. He can describe to them the leading talking points in the merchandise. Accurate information is essential not only to promote sales, but also to have the customer understand exactly what she is buying.

From the salespeople the buyer can learn much that will help him in merchandising. Through them he can come in contact with the desires and opinions of the public.

The buyer should work closely with the store manager and the division merchandise manager in determining the number of people needed in his department.

When the buyer feels that his department has an insufficient sales force to give adequate service he should apply to the employment office for more help. If it is just the matter of temporary need, the request can be filled with contingents or a shifting of salespeople from other departments. Before making a permanent addition to the force the employment manager and store manager should study the sales cost in the department. Though it is the employment department that selects the new employee and the training department that directs her store education and development, the buyer can do much to help in both tasks. He can give the employment division valuable advice in the qualifications of salespeople for his department. And when the new girl comes in, strange to the store, its ways, and its merchandise, he can do much to make her feel at home, to acquaint her with the merchandise, to give her the inspiration neces-

sary for good work. Though the original salary is determined by the employment department, the buyer should watch the relation of each salesperson's results to her compensation. He should study the performance of each individual and avail himself of the reports giving the percentage of wages to sales for each salesperson and for his department. Though final decision on promotions, transfers, salary increases, and dismissals should be with the service division, the buyer should make recommendations based on the intimate knowledge of his own sales force.

In the final analysis the point of contact between the customer and the store is in the salesperson. It is not sufficient for the buyer to have in stock merchandise of good material, popular color, and proper price. He must also have salespeople who will seek out the proper item for the proper customer, who will explain the material, show the style, and take the customer to the window so that she can appreciate the color. All the labors of market hunting, all the science of unit control, must be supplemented by salespeople who know what is in stock and who are able to sell it in a pleasant, competent manner.

The Merchandise Division in Advertising and Display.—It is the function of the publicity division to bring the public into the store to buy the merchandise which the merchandise division offers. Together with his division merchandise manager, the buyer should make monthly plans showing what items he intends to feature during the month. This feature plan should be closely tied in with his unit-buying plan.

From these feature plans the advertising manager will make up his plan and schedule. Each buyer should try to push the items which he wants featured. The decision on whether an item is to be advertised rests with the advertising manager.

Merchandise and publicity should coöperate. The merchandise organization will present its point of view and the publicity division will pass upon its suitability for presentation to the public. Should the merchandise division and the publicity division arrive at any *impasse* in the selection of items for adver-

tisement, the matter should come before the general manager for settlement.

The buyer can do much to help the copy writer assigned to his division. Together they can select the merchandise for the copy and sketch. The buyer can give the copy writer many valuable suggestions. He can enumerate the "selling points" of a feature which the copy writer should adapt to the advertising point of view. The buyer should work on friendly terms with the comparison office, appreciating that its check can provide enlightening information which will enable him to make a better showing. When the proof of the advertisement is ready the buyer should study it closely and check again the merchandise statements of sizes, colors, styles, and quantities. His O.K. on the proof should be his guaranty that all of the advertised merchandise is in the house.

In window display the functions of the buyer are much the same as in advertising. He brings his features before the display manager, who determines from them his plans and window schedules. The buyer and the display department coöperate in the selection of the merchandise for the window and for the interior displays of the department.

Signs—price cards, permanent signs, window cards—should be requisitioned by the buyer from the display department.

The Buyer in Department Management.—In the department there are many things that demand the attention of the buyer. He should see that the machinery of his department runs smoothly. He should see that his department is in good physical condition. He should check the housekeeping crew to see that they clean thoroughly and regularly. He should report to the store superintendent any repairs that are needed and should follow them up to see that they are carried out—subject to the decision of the store manager.

Supplies are essential. The buyer should make out his requisition and send it to the supply department. If it is a major item of supplies or equipment he should take it up with the store

manager directly. On small or large items, on bags or show cases, the buyer should coöperate with the store manager and controller to keep supply expense down. Since all his requisitions are charged against his department, the buyer in coöperating will improve his net profit.

Expense Budgeting.—Together with the store manager, the buyer and his division manager should budget the number of sales people for his department to take care of the planned sales in the merchandise budget.

Together with the advertising manager, the buyer and his division manager should work out his advertising expense, and with the display manager his display expense.

Expense Control.—When expense reports are issued the buyer and the division manager should examine them carefully and use them to improve the expense showing of their department.

CHAPTER XI

THE ORGANIZATION AND PROCESS OF PUBLICITY

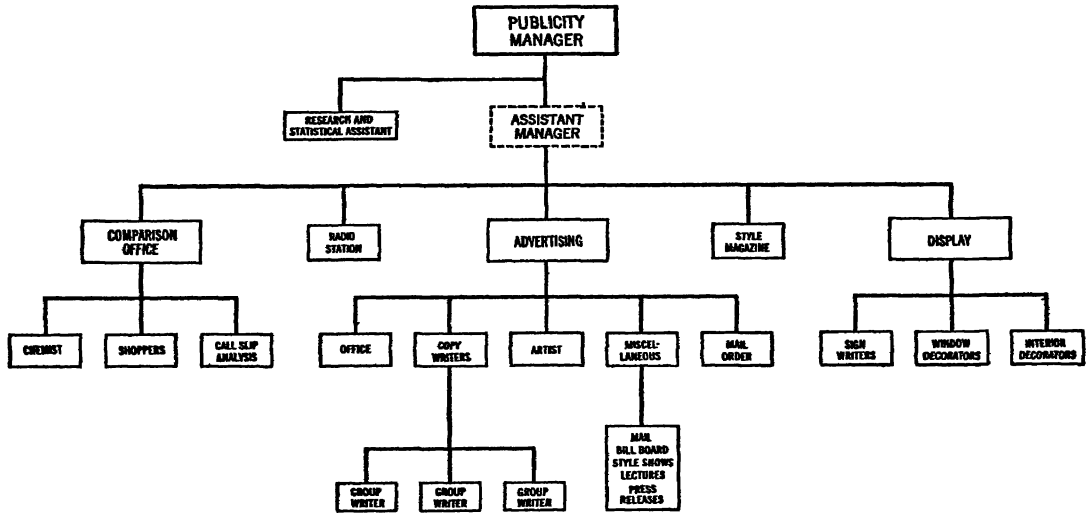
ORGANIZATION

Publicity Manager.—The chief of the publicity division on a par with the merchandise manager, the store manager, and the controller. Supervises all publicity. Senses public feeling. Presents the store and its merchandise so that the public will be constantly attracted to purchase from the store.

Prepares the publicity portion of the store expense budget, including departmental advertising and display allowances and general publicity expense. Works with the controller's expense office to make sure that the publicity budget is in harmony with the aim for the total expense budget. In actual operation works with the advertising manager, the display manager, the buyers, and the controller in seeing that publicity expense is intelligently controlled.

Supervises the planning and scheduling of advertising and display. Takes up any publicity questions or disputes. Works under the general manager to help him determine the major publicity policies, and coordinates them with the other policies of the store. Authorizes all daily advertisements, though the actual direction of newspaper copy is under the advertising manager.

Coördinates advertising display with miscellaneous publicity. Directs style shows, lectures, exhibits, radio station, general press releases, and promotional stunts.



ORGANIZATION CHART
OF
PUBLICITY DIVISION
(SUGGESTED FORM)

Receives and studies the reports made by the comparison office.

Directs research in advertising media, layout, and time for advertising.

Directs the publicity division in general and entèrs into the details of the activities of his subordinates.

Advertising Manager.—(Often the same man who is publicity manager.) Head of advertising, under the supervision of the publicity manager. Directs all newspaper advertising, mail-order advertising, and miscellaneous advertising.

Prepares for the publicity manager estimates for all advertising expenses. Works out with the buyer and the division merchandise manager the advertising allowance for each selling department. Tries to control in actual operation the expenses which he helps budget.

Takes a leading part in the formulation of advertising plans based on features suggested by the merchandise division. Sets weekly schedules from the plan assigning definite space and papers to each item.

Supervises the work of his staff in the preparation of copy and sketches. Directs the form of layout and type of copy and appeal. Signs each advertisement before release.

Coöperates with the publicity research work instituted by the publicity manager.

Collaborates with the display manager to secure coordination of advertising, display, and signs.

Supervises the preparation of: mail-order advertisements, circulars, miscellaneous catalogues, folders, style magazines; periodical, rotogravure, program, billboard, and street-car advertisements.

Assistant Advertising Manager (if necessary). —Assists the advertising manager in the routine of the advertising department.

Head Copy Writer.—Works under the direction of the advertising manager and the assistant advertising manager. Has charge of assembling the individual copy for each item. Determines the layout. Arranges sketches and copy into the dummy.

Copy Writers.—Write the individual advertisements. Coöperate with the buyers in selecting merchandise for advertisement and in getting suggestions for copy.

Artists.—Prepare sketches for newspapers and miscellaneous publicity media.

Comparison Office Head.—Under the publicity manager. Assigns shoppers to report on their own store's advertisements and competitors' advertisements. Directs general shopping of departments in other stores. Tests materials chemically for quality. Checks on basic stock, and analyzes call slips. Prepares general reports for general manager, merchandise manager, and publicity manager.

Shoppers.—Under comparison head. Report on their own store's and competitors' advertisements. Make general reports on merchandise departments in the store as compared with the same department of other stores. Check basic stocks in departments.

Chemist.—Makes material analysis. Many stores use a consulting chemist.

Analysis of Call Slips.—One member of comparison office may be detailed to collect and analyze call slips and prepare reports on items out of stock—a further check on the merchandise division.

Display Manager.—Parallel with advertising manager. Reports to publicity director. Has charge

of window display, department and interior display, special decoration, and sign writing.

Plays a leading part in the formulation of the display portion of the publicity expense budget. Together with the buyer and division manager, estimates the window expense allowance for each selling department. Controls the display expense.

Makes out display plans from the same merchandise feature plans that the advertising manager uses. Attempts to coördinate display and advertising. Schedules each feature to a definite window. Supervises actual window display and case displays in the departments. Watches over the effectiveness of the display of merchandise on counters, shelves, and racks.

Assistant Display Manager.—Assists generally in the routine of window and interior display.

Window Decorators.—Carry out the mechanical steps of dressing windows under the supervision of the display manager and the assistant display manager.

Sign Writers.—Make all the signs in the store, window cards, department cards and signs, and wall signs.

THE PROCESS

Publicity Budgeting and Planning.—The stream of operation in the publicity division starts with the formulation of its expense budget.

The controller's office forwards the records of past years showing the amount spent on each item. The staff of the advertising office prepares the estimates for office expenses, materials, and general publicity expense. Advertising and display expense estimates for the entire store are built up from estimates made in each selling department.

The buyer and division manager work out their probable re-

quirements for advertising for the coming period at the same time that they are estimating their sales force expense. The advertising manager and the display manager work over these department estimates with the merchandise executives until the estimates are judged valid.

The advertising manager and the display manager gather these department estimates, and then study the total estimate for the store. If the result is out of line compared with the total planned sales for the store, further study and adjustment are made.

Finally the whole advertising budget is in; the whole display figure is in; the general publicity and office expense estimates are ready; the style show figures and all the miscellaneous estimates for mail order, bill-board, and style magazines are included.

When the publicity division has had its appropriation approved, it is ready to develop itemized plans and schedules for operation.

The plans for merchandise items to be featured in advertising and display are made by the buyer and his division merchandise manager. Though some are made long in advance, monthly feature plans are the rule.

These feature plans represent the itemized program of the merchandise division to achieve its planned volume. The features are selected on the basis of past offerings, on a careful analysis of piece records for recent periods and the same period in other years, on weather conditions, on competitors' offerings, and on market opportunities. These plans are worked out in conference by the buyer and his merchandise superiors, not only for department features, but also for store-wide events.

From these merchandise feature plans the advertising manager makes his monthly advertising plan. He talks over each feature with the merchandise men. They explain the item and support their requests with piece records of past sales, with fashion information, and with other indices of public demand. The advertising manager passes on each feature, checking the

buyer's analysis of public wants. He decides whether the item will make as good a feature as the buyer claims. Often he may suggest additional features which he believes will be successful.

The advertising manager synchronizes the offerings of the individual departments into a consistent presentation of the store's policies and merchandise to the public. The advertising manager uses his special advertising knowledge in the determination of features, of proper appeals, of seasonal features, and of the potentialities of special events—Mother's Day, vacation, graduation. Especially in the preparation of plans for large events such as anniversary or clearance sales, the advertising manager should initiate merchandise preparation which can be linked to the special appeal that exists.

Institutional advertising plans should be prepared more than a month in advance. For staples, such as a line of nationally advertised men's clothing, a carefully developed plan is sometimes evolved for the entire season.

From these advertising plans the advertising and display managers draw up weekly advertising schedules. The day, space, and paper are assigned to each item. This is the working schedule for copy writers and buyers.

After this schedule is made and until the advertisements are released, changes may be made in the plans by the buyer and by the advertising manager. An unexpected change in weather, offerings of other stores as reported by the comparison office, arrival or nonarrival of merchandise, and special purchases (especially in the bargain basement), frequently necessitate a shift in plans, and the policies of the advertising manager should be flexible enough to make the change.

Coördination of Display With Advertising.—The planning and allotment of window display go through essentially the same process. Monthly plans are made out by the display manager from the merchandise feature plans of each department. Weekly schedules are then arranged assigning definite days and windows to each feature. The display manager checks the buyer's

application for windows to see that only those items are featured which will best attract the public to purchase.

The publicity manager should coördinate the policies and the operation of both advertising and display.

Publicity Expense Control.—The power to make the decision as to whether or not an item is to be featured gives the publicity division an opportunity to check merchandise offerings and to control department publicity expense. The newspaper and window expense incurred by each department is recorded. At all times the advertising manager, the publicity manager, and the display manager know what part of the monthly advertising and display budget has been used. The advertising and display managers should make every effort to keep department expenditures within the budget figures.

Expense control should be flexible. The budget against which performance is to be compared should be revised currently by the central expense office working with the advertising and display managers. As actual sales vary from the planned sales upon which the budget was based, the allowances may be shifted from one department to another by the advertising manager and the expense office. A radical change in the store's total sales would suggest a fundamental change of budget. This modification should be made only with the approval of the controller or the general manager.

Preparation of Copy and of Windows.—With the schedule set, the advertising division prepares the copy for the advertisement. Copy writers should be assigned to definite merchandise divisions and should work very closely with the buyers and division merchandise managers.

Since the schedule has settled the items to be featured and the space to be given to each item, there remains the job of producing the most effective description of the merchandise that is consistent with accuracy. The copy writer should talk with the buyer and from him learn the selling features. Through his contact with the market and with the buying public, the buyer

often will be able to point out many characteristics which will increase the effectiveness of the advertisement. To this the copy writer should add his own knowledge of public wants, his appreciation of consumer motives, his command of advertising technique, and his contact with the store's advertising policies.

Together with the artist and the buyer, the copy writer should select the sample for the sketch, if there is to be one. Large stores may have a system of receipts to keep account of merchandise borrowed in the preparation of copy.

Department stores, especially those in the large cities, use a large amount of free-lance work in the art department.

As each part of the advertisement is prepared, it is fitted into the dummy proof. The head copy writer attends to the layout, attempting to arrange the different features, the headings, and the white space so as to make an effective advertisement. During the process of making up the copy, the advertising manager and his assistant should be consulted constantly. Their longer experience and closer intimacy with store policies should have a strong influence on the nature of the copy. Particularly should the advertising manager inspect the whole layout before it is sent to the paper. The copy is then set up and a large number of proofs are run off.

Checking of the Proof.—The proofs must be checked thoroughly. One proof should be checked by the buyer. He should compare the description with the actual merchandise. A buyer's O.K. on an advertisement means that the description of the merchandise is accurate, and that the quantities advertised are in the house. When possible the comparison office should check the proof.

The proof is checked for typographical errors by members of the advertising staff. Then the final approval must be given by the publicity manager, who should check everything—appeal, accuracy, layout, art. With the publicity manager's final signature for release the proof is sent to the press and is published, unless the general manager reserves the right of release.

Coördination Between Publicity and Service.—Advertising and display to be most effective must be coördinated with all other sales effort in the store. Advertising plans and schedules should be sent to the store manager so that he may look ahead to future sales-force requirements. At all conferences in which special events are mapped out, the service division should be represented. The printed selling appeal of advertising, the window selling appeal of display, and the personal selling appeal of the sales force should pull together.

It is the copy of the proof that is the signal for day-to-day coördination of sales force and advertising. Along with all other executives in the store, the store manager receives one of the many proofs distributed. He should get in touch with the buyer and together with him determine the increase in sales force necessary for the event. In such conferences the aim of the store to give complete service and to increase sales must be harmonized with the effort to make the best use of the available sales force and to keep expense low.

When the advertisement appears the buyer or his assistant should see that all the sales people in the department know about the advertised merchandise. The buyer should explain the selling points of the merchandise featured. A copy of the advertisement should be passed around to all members of the department's sales force to read and to sign. A copy should be posted in the department. Distinctive signs calling attention to the fact that the merchandise next to it is an advertised feature will help both sales people and customers. Even sales people in other departments should be encouraged to read the entire advertisement each day in order to be able to direct inquirers to the advertised merchandise in other parts of the store. An exhibit of all articles featured in advertisements might be held in the employees' restaurant or recreation rooms.

The leading advertisements of all competing stores should be shopped by the comparison office. The report of shopping should include the merchandise featured, the success of the ad-

vertisement as shown by a customer count in the competitor's department, a description of its own store's offerings comparable with those of the competitor, and recommendations of the steps necessary to meet the competition.

The comparison office may shop other stores' departments even when they do not advertise. If the store needs information on any special department, if a new department is to be opened, or an old one is to be improved, an important step is a "comparison report" on the same department in other stores—a description of the complete assortment carried, the leading price lines, the featured styles, the department display, its location in the store, and recommendations.

Another important duty of the comparison office is to shop staple departments for complete basic stocks.

Checking Results of Advertisements.—Experience is a valuable teacher. In advertising, where there are few other teachers, the lessons of experience should be recorded. The publicity division should keep a record of the results of each advertisement, recording the sales of the advertised item, the total sales for the department, special display features, the percentages of cost to direct results, and recommendations for future publicity.

The size of each advertisement is measured and the cost is distributed to the individual merchandise departments. From this source the advertising expense of each department is computed and used in expense control.

The controller's office checks the accuracy of advertising bills and the accounts payable office pays them just as it pays all other expense accounts.

Research in Advertising.—The publicity manager should always be on the lookout for ways and means by which better results from advertising expenditures can be obtained.

The publicity manager and the advertising manager should plan the campaign of research in which the advertising staff is

to gather the important information which will throw light on advertising policies and results.

What form of type is most effective? What arrangement of illustration, headline, printed matter, and white space produces best results? How should the various offerings be grouped? Of what relative value is Sunday advertising? What items are adapted to particular days of the week? Should a store advertise more when business is plentiful or when business is hard to get?

What papers are the best for the store to use? What merchandise should be advertised in each paper? How can the suburban residents be reached most effectively?

All these questions should be studied thoroughly by the publicity division.

Dressing of Windows.—Window display goes on concurrently with the writing of copy. The decorators under the display manager work with the buyers in the selection of the sample merchandise to be put on display. The display department should keep in close touch with advertising schedules and proofs and with the advertising manager to obtain the maximum effectiveness of copy and windows.

After the merchandise for display has been selected, window dressing—the backgrounds, the lighting, scenery, arrangement—is the technical job of the decorator.

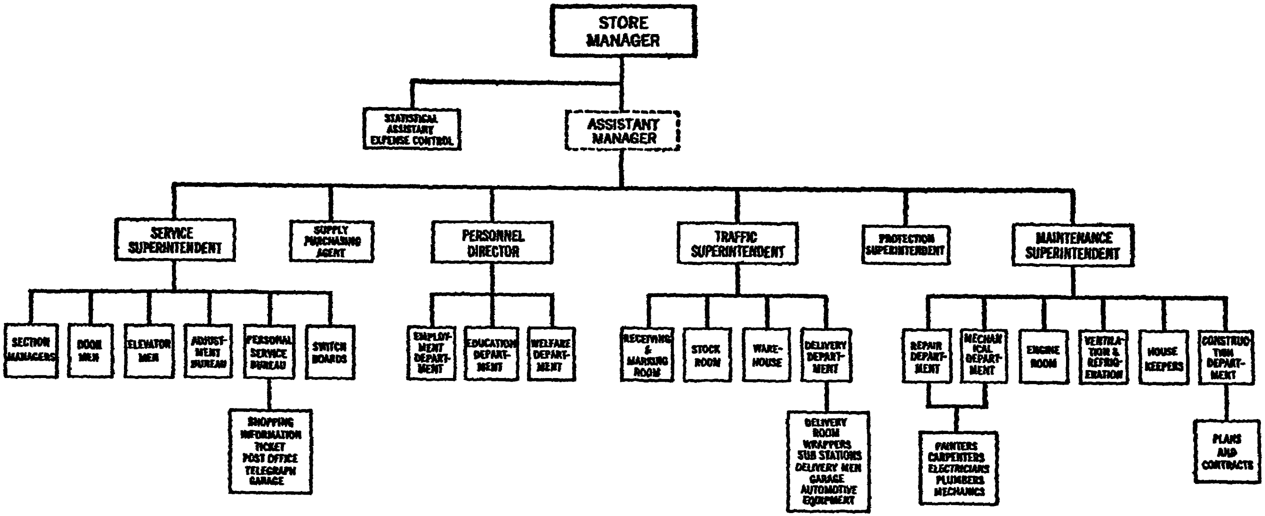
Window rent is allocated by the accounting division to the selling department on the basis of a charge per day for each window.

In addition to window decoration, the display department has charge of the interior and department displays. It attends to the permanent displays and to the general display of merchandise throughout the store. The display manager and his decorators should take frequent trips throughout the store, checking on the display of merchandise within the departments and assisting the buyer in improving the arrangement of his stock. The display

department should assist in decorating the store for special occasions—for anniversary sales, for Christmas, for Easter.

Supplementary Publicity.—Direct mail advertising is an important form of publicity. It may be used merely as a support to newspaper advertising, as a means to reach selected groups more effectively, or it may be a distinct merchandising venture to sell special mail-order merchandise to those who cannot come to shop. In the latter case the mail advertising may center around catalogues. Large stores may well have a staff member to devote his time chiefly to mail advertising.

The miscellaneous folders, catalogues, package inserts, messages to accompany bills, announcements can be easily handled by the same person who does the mail work.



ORGANIZATION CHART
OF
STORE MANAGEMENT DIVISION
(SUGGESTED FORM)

CHAPTER XII

THE ORGANIZATION AND PROCESS OF STORE MANAGEMENT

ORGANIZATION

The store manager's division has charge of a large number of functions associated with the provision of service. These duties fall into six groups—personnel, service, maintenance, operation, purchasing, and protection.

Store Manager.—One of the four division heads.

Maintains the store and its fixtures, and provides an attractive, well-lighted, well-heated place of business. Provides a force to run this store; therefore has supervision over employment, training and welfare. Directs the mechanical operations in the handling of merchandise—receiving and marking, warehouse, stock rooms, and delivery. Is responsible for adequate and courteous service to customers.

Promotes service and cultivates customer good-will. Tries to raise the standards of the store to the maximum consistent with expense limitations.

Plays an important part in expense budgeting and expense control. Aids in proportioning the expense estimates of his division with the total store budget. Examines current expense reports and aids in checking requisitions before commitment.

Related functions are his supervision of protection and of centralized purchases.

Personnel Bureau.—Provides the store with a capable, well-trained force best equipped to carry out the functions of retailing. Directs employment, training, welfare, and discipline. Aids the store manager and the general manager in the development of personnel policies.

EMPLOYMENT DEPARTMENT.—Has the responsibility for filling vacancies in the store's force. Discovers and develops sources for obtaining employees. Determines the validity of requisitions for additional help. Coöperates with the controller's office in controlling the expense in accordance with the revised budget. Fills justified requisitions by transfer, promotion, or employment from the outside.

Carries out the store's policies in wage levels by a uniform schedule of individual compensation. Determines the original wage and passes on wage adjustments. Maintains personnel records, and determines from them those employees worthy of promotion.

Investigates and carries out discharges and codifies and administrates employees' rules and regulations. Supervises the administration of the time desk in checking attendance.

Coöperates with the department heads on all phases of employee relationships.

TRAINING DEPARTMENT.—Takes up the work where the employment department has left off. Develops each employee to give service of maximum efficiency. Gives introductory training to new employees. As its chief work develops department heads into instructors qualified to train their own employees.

Arranges and provides classes for salesmanship, textile instruction, individuals giving poor service, and for potential executives. Gives individual advice to employees.

Welfare Department.—Provides for the social welfare of the employees and develops a healthy, contented group of workers. Provides medical and dental service. Supervises employees' associations, social activities, recreation, benefit funds, credit and loan associations, bank and thrift accounts, employees' restaurant, store paper, library, and employees' rest and recreation rooms.

Customer Service Department.—Strives to assure complete service to customers, by offering them courteous, pleasant attention in all phases of operation.

Section Service Managers.—Check and protect service in their particular departments. See that sales people give adequate and courteous attention to customers. Work very closely with the department heads. Take up questions of unsatisfactory results with the store manager. Give information and assistance to customers; authorize certain types of sales, and accept merchandise for credit, refund or exchange.

Door Man.

Elevator Men, including starters and operators.

Telephone-Switchboard Operators.

Adjustment Bureau.—The clearing house for complaints by customers. Investigates causes of complaints and tries to satisfy customers. Settles disputes in the returning of goods for credit, refund, or exchange.

Personal Service and Miscellaneous Services.—Include information booths, lost and found office, filling mail and telephone orders, shopping bureau to give aid in shopping, gift selection; waiting room, telephones, telegraph office, post office, children's playroom, medical service; bureau for the purchase of tickets of all kinds, advice on design and color, etiquette of dress,

and on clothes budget; providing automobile parking facilities, garage, bus service to parking area, chauffeur service to parking area.

Maintenance Superintendent.—Keeps the store and fixtures in good repair and provides clean, attractive store, well heated and well illuminated. Is an engineer and a mechanic. His list of duties includes:

Upkeep of Store and Building, including carpentry, painting, repair, maintenance and electrical equipment.

Maintenance of Mechanical Equipment, including elevators, escalators, tube and carrier systems, cash registers, and telephone switchboard.

Light, Heat and Power.

Refrigeration, Ventilation.

Housekeeping, including cleaning, porter service, and store decoration.

Construction and Change of Layout.

Operating Group.—Supervises the operating functions of merchandise receiving, marking, handling, warehousing, and delivery. Headed by a traffic manager.

RECEIVING AND MARKING DEPARTMENT.—Receives, counts, and checks merchandise with invoice. Separates into sizes where necessary and then marks all merchandise. Has supervision over marking in changes of retail price.

STOCK ROOMS.—Maintain reserve stocks of merchandise for selling departments.

WAREHOUSING DEPARTMENT.—Maintains warehouse for storage of merchandise. Involves some delivery such as in furniture.

DELIVERY.—Sorts packages into routes. Lists and delivers packages by store's own vehicles, by express, and by parcel post. Collects for C. O. D. packages. Calls

for packages to be returned. Checks drivers' lists. Maintains garage and automotive equipment for delivery.

Supply and Purchasing Department.—Operates the supply room. Studies requisitions from department heads and checks for expense control. Chooses best sources for purchase of supplies and places the orders.

Receives and checks supplies and invoices.

Furthers standardization of supplies and equipment.

Protection Department.—The police force of the store. Guards against internal and external dishonesty. Includes detectives and watchmen.

THE PROCESS

To arrange the duties of the store manager in time sequence is difficult because he seems to do a multitude of duties at the same time. If we picture ourselves, however, at the very beginning of a retail enterprise, a logical arrangement suggests itself.

First must come the store—hence the maintenance functions—then the personnel to operate the store—then supply-purchasing, after which the other functions fall in line.

Building and Maintenance.—In the upkeep of the store fixtures and of the building, the work of the store manager is much the same as in any establishment, whether it is a factory, office building, or retail store. It is a mechanical job which has many details.

Maintenance of the store and fixtures includes all those jobs which must be done to keep property in presentable condition—carpentry, painting of walls of the interior and exterior, electrical repairs and installations—any general repairing and maintaining. Whenever anything must be fixed there is a call for the maintenance department. Most of the work can be done by the store's own maintenance staff under the building superintendent. For

most of the calls the store will have either a specialist or a "Jack-of-all-trades" to fill the job. For others the employment of outside labor may be more desirable.

As much as possible of the maintenance work should be carried out according to a well-laid plan, and not in the excited rush imposed by emergencies. Maintenance planning and scheduled examinations, repairs, and replacements will make unnecessary much costly repair and delay. Foresight in scheduling will mean a saving in labor costs and a better quality of work.

The opportunity for this scheduling comes with the making of the expense budget. While estimating the expenditures for the coming period, the building superintendent should make a survey of the store and plan the jobs that should be done. On the occasion of this trip through the store, each department head can place his needs before the building superintendent as tenants do before the landlord on the occasion of rent collection. From all these requests for repairs, he selects those which should be incorporated in his budget.

Under maintenance come the engineering functions of providing heat, light, and power. This involves engine rooms and firemen. The problem of power for the large store presents a real engineering study, for a large store is almost a little city in itself. Such stores may have their own power plant or may have transformers to make use of primary current.

There are other engineering functions: ventilation, which is so important in a crowded store, refrigeration for drinking water, and the operation of the store's laundry. Another duty includes the maintenance of the sprinkler systems and fire equipment, with frequent tests and drills.

Other equipment which must be maintained and kept in good running condition by the maintenance department includes the elevators and escalators, the tube-carrier and cash-register equipment, and the telephone switchboard.

The daily duties of housekeeping, cleaning, sweeping of store, and dusting of fixtures, are much the same as in the household. When the store is to be dressed up for holidays or special events,

the display department under publicity and the maintenance division can coöperate in effecting the change.

The maintenance department is likely to be a factor in all changes of layout. The general manager can determine the general policies of layout and the merchandise, publicity, and service executives can best interpret consumer habits, and merchandise requirements. But the technical phases require the assistance of the engineer. The actual execution of a change of layout is the responsibility of the maintenance department.

Store Manager and Personnel.—The store manager provides the personnel. With the number of employees running into the thousands in the larger stores, the personnel problem becomes a huge one.

The personnel process starts when the department head fills out a requisition for an additional employee. The requisitions of each department head are checked by the employment department. Each requisition should be compared with the budget appropriation for the department.

When a requisition is approved, the employment department should provide the employees. Sources of desirable material must be uncovered. Through contact with schools, through advertisements, through present employees, the employment department should strive to have available applicants from whom to select those best suited to fill the requisitions of each department.

Employment for all departments should be centralized in this office, as it calls for a specialized technique. And there is still much to be developed in the extension of that technique of selecting the proper individual to fill each job.

Employment from outside the store is essential only for beginners' positions. Wherever possible the requisitions for the departments should be filled by promotion or transfer. Not only does a store secure individuals already trained in its policies, but the effect on morale is invaluable.

In the selection of an individual to fill a requisition the employment department, after selecting the best candidates, should

work closely with the department head in the final selection. It is vitally important that the candidate be satisfactory to the department head.

When an employee already in a department is not satisfactory to the department head, the employment department should effect a transfer to some other department. It is essential that harmony exist between a department head and his force. By wise selection and judicious transfer the employment department can do much to further coöperation in each department.

When an employee is guilty of a serious deficiency, discharge should be resorted to only after a fair consideration of all factors. Complaints and recommendations for discharge usually come from the department head and except in a major violation of store rules, transfer to another department should be tried before complete discharge. It is wise to have all discharges authorized by the division head or even the general manager to insure to employees adequate consideration of every case.

Training.—After the employment department has engaged the new employee, the educational or training department should start to function. In the first few days after the employee is engaged, the educational department should outline the essentials of the particular work, and its place in the total store scheme.

Together with the department heads the training department should work out the program necessary to improve the operation of the members of each department. The educational department should work to develop department heads into teachers, so that they can impart their information to their subordinates.

The educational department can give some training, such as salesmanship, in centralized classes, but most training must be given through the department heads. Each buyer should teach his sales people about the merchandise of his department, so that they can give customers maximum assistance in purchasing. The department head, because he works so closely with his employees, can note their failings and work with them toward improvement. The educational department can help arrange department meet-

ings, draw up manuals, arrange contests and provide materials, but the actual information and instruction should come from the department head. The training department should act then as a normal school to prepare department heads for the task of increasing the productiveness of their employees.

Along with this normal-school function the training department should follow up new employees to aid in their development. It should arrange for salesmanship classes, textile instruction, department and general store meetings, training groups for those who have been giving poor or faulty service, and individual advice and counsel to employees.

Another function undertaken by the educational department in a few stores is the development of a training group for potential executives. Here the most promising of the employees of the store and recruits from college and technical schools are given intensive training to prepare them for positions as junior executives. The training department maps out the course, but the actual instruction is given by the executives of each division. Lectures are but a small part of the training; actual work in each of the activities of the store is the main basis of the course.

Wage Levels.—The policy of wage levels should be determined by the general manager with the aid of the board of managers. The fulfillment of the wage policies in the determination of the wages of individual employees should be under the control of the personnel bureau. This will give a uniformity to the wage situation throughout the store, and will put the details in the hands of experts thoroughly acquainted with both the labor market and individual department conditions.

As time goes on changes must be made in the original wage set for each employee by the employment department. Wage increases and promotions should result from a constant study of individual employees and their personnel records. These records should be kept by the personnel bureau and should show the attendance, punctuality, rating and productivity of each employee.

As the personnel bureau reviews these records it should at

all times be alert to select those worthy of promotion or wage increase, and these names should be presented through the store manager to the department head. Not only will the store be able to uncover for itself its best material, but the resultant effect on the morale of employees will improve operation in general.

Although the department heads may be helpful in wage adjustments and will often initiate suggestions, all these should pass through the central personnel bureau.

All wage adjustments should be checked for expense control.

This centralization of personnel functions should not extend to department heads or executives whose salaries are above those of the employment manager. These major executives should be engaged through the division manager, after conference with the general manager and controller.

When quota or bonus plans are to be worked out the personnel bureau should be a factor.

The list of employees with the rate of compensation for each is drawn up by the personnel bureau. It is from this list that the actual pay-roll is prepared.. The pay-roll department under the head accountant checks the list and makes any deductions that are required to meet employee obligations. The actual handling of cash is under the supervision of the cash office.

From the pay-roll lists there should be compiled a pay-roll report analyzing the compensation and productivity of each employee. Since personnel expense is the major item of the cost of doing business, the store manager and department heads would do well to take a glance at the expense problem from this angle. By studying such a pay-roll report both the store manager and department heads can uncover possibilities for improved showing.

In addition to employment, training, and wage levels, the personnel bureau has a group of miscellaneous functions in its responsibility for personnel matters.

The time desk under the personnel bureau should keep a record of the attendance and punctuality of the employees. When

employees are late they should report to the employment office, where the reason for tardiness should be recorded in the personnel records.

The general management should determine the policies affecting employee rules and discipline, but the actual formulation of the rules, and their presentation to the force, should be the function of the personnel bureau. Regulations of store dress, rules for employees' discounts are examples of matters which the personnel bureau should work out with the aid of the service representative on the floor.

Welfare.—The administration of welfare activities should come under the personnel bureau, and should be, in so far as is possible, in the hands of employees themselves. A list of possible welfare activities would include:

Medical and dental service for employees—hospital, nurses, visiting of the sick, physical examination.

Direction of employees' association, social activities, recreation, musical entertainments.

Employees' benefit fund.

Employees' credit and loan fund.

Employees' bank—to encourage thrift among employees.

Employees' restaurant.

Employees' store paper.

Employees' library.

Employees' rest and recreation rooms.

Operation and Expense.—To return to our time sequence. The maintenance division has provided the store and kept it clean, well heated, and attractive. The personnel bureau has filled it with a capable staff to carry out the necessary functions, and now operations begin.

Though not given the final responsibility for expense control of the entire store, the store manager should be active in coöperating to keep expense low for his own division.

In the budgeting he should see that all the estimates of

his division are intelligently and conservatively planned; that the expected sales volume is a guiding factor in the plans for expense; that, if volume or mark-up is threatened as a result of impending economic circumstances, strenuous efforts be made to lower expense accordingly.

When the estimates of each of his subdivisions are ready, the store manager should go over them carefully and build them into a total for his division, revising with his subordinates wherever necessary. Personnel expense should be an important factor. Here the original estimates of sales force are made out by each buyer for his own department. Maintenance expense includes many details. The operating departments always offer opportunity for more economical operation. Customer service is expensive. All these the store manager must study.

When his division budget is ready he should work in harmony with the controller's expense office in fitting it in with the total store budget.

In carrying this program into expense control the store manager should be active. He should examine all expense reports carefully and investigate any unusual situation. Personnel reports and pay-roll lists should receive his more intimate attention. He should frequently study the costs and results in each selling and non-selling department.

The time at which expense control can be made most effective is before expenditure—in the requisition stage. These requisitions come to the employment office for additional employees, for salary increase; to the purchasing agent for supplies. A judicious inquiry into each request will catch many an unwise expenditure. The store manager and his executives should check these requisitions, even though the controller's expense office also checks them. True, there may be some conflict between the store manager's enthusiasm to do a thorough job and the controller's conservatism in safeguarding profit. A large part of this can be settled in compromise so that both ends are attained—but when they come to a point at which the settling of their differences

depends on the policy to be followed, the general manager must decide.

Operating Functions.—The store manager's division is the first to come in contact with the merchandise when it appears on the scene. All the mechanical functions of handling and transporting merchandise are assigned to the store manager's operating division.

Receiving and Marking.—When packages are received they are signed for, booked by package number, and then opened. The merchandise is then checked against the invoice, through either the open check or the blind check. In the open check the invoice is held by the checker, and as he takes out each item he looks for its entry on the invoice to see whether it agrees in description and quantity with the charge. In the blind check the first clerk, without access to the invoice, lists the contents of each package. This list is then compared by a second clerk with the invoice. Whichever one of the two methods is used, the responsibility of the store manager's force in receiving is for speedy, accurate work.

When the goods have been counted the buyer should inspect them, fix the retail price if he has not done so on the order, and sign the invoice so that it may go through for payment. At the same time this releases the goods for marking.

Merchandise in which size is a factor is first separated into sizes and the number of each size counted. From the information on the invoices as to lot number, retail price, date and size, the price tickets can be made out.

Another step that is interposed at this point by progressive stores is a check on the sizes of wearing apparel. It is felt that inaccuracy in size is one of the leading causes for return of ready-to-wear by customers. To check against inaccuracy some stores fix standard models for each size, and test each garment on a special form.

When the marking information is ready the tickets are made

out. When the stub system of piece inventory is used, more information must be put on the price ticket than otherwise.

Centralization of receiving and marking is essential in order to maintain accuracy. Merchandise should not be counted and marked in individual departments, but should go through a central receiving room fenced off from other departments.

Centralization is necessary, especially in marking. For incoming goods, tickets should be made only for the merchandise actually listed and sized on a dummy copy of the invoice which should act as a marking authorization. All changes of price in subsequent mark-ups and mark-downs should be carried out centrally, preferably in the marking room. If the merchandise cannot be taken to the marking room, the new tickets—made only on the presentation of a mark-down authorization—should be attached by marking-room employees. Then there will be fewer book errors, and smaller stock shortages.

Warehousing and stock room functions are similar to receiving. They involve the same principles and technique of merchandise handling as does the receiving process.

When the merchandise is marked, the department stock people may take it to the selling floor.

When it is necessary to return goods to the vender, such goods are shipped by the store manager's division, first making certain that the necessary authorization has been received.

Some stores with a large volume of imports have a separate department under the store manager for the receiving, marking, and handling of foreign merchandise. This is necessary because each container may contain goods for several departments. Greater care and attention to details are called for, as the invoices are more complicated than domestic invoices.

Customer Service.—Selling is a function of the merchandise division—sales people report to the buyer. But the store manager's division is concerned in the selling process to an important degree. The store manager is responsible for customer

service. It is his duty to see that customers are given courteous, helpful attention in all phases of store operation.

The store manager's main agency should be a corps of service managers, each one assigned to a section. It is their responsibility to see that each customer is given adequate service.

They should see that the sales people are courteous to the customer, that they strive to serve the customer and please her from her own point of view.

The service manager should answer customer inquiries and give assistance in a helpful and gracious manner. He signs sales checks in authorizing certain types of sales, countersigns checks, and accepts merchandise for refund or exchange. In all of these relationships he has unlimited opportunity to strengthen the bond between the customer and the store. He should work closely with the department manager and the department sales people to further service.

It is not only in the selling process that customer service must be protected. The doorman who meets customers as they alight from their automobiles and enter the store, the elevator operator who takes them to the floor which they wish to visit, are other agencies of service.

Even if the customer should not come in personally, but calls on the telephone, the same courteous, pleasant reception should meet her. The operator of the telephone switchboard is an important outpost of the service department.

There is one part of the service organization that is a clearing house for all customers' complaints—the adjustment bureau. Personal, written, and telephone complaints should be followed up by the adjustment manager to appease the customer and at the same time to discover the cause for dissatisfaction.

When a customer has merchandise to return for credit, refund, or exchange, she is referred to the section service manager. His decision on her case will depend upon the return policies of the store. But whatever the rules require him to do he should do graciously. If the request is a proper one, he should grant

it unhesitatingly and convince the customer that it is a pleasure for the store to accommodate her, rather than a concession she has gained after a contest. All doubtful cases should be referred to the adjustment manager—the specialist in courtesy. Here the adjustment manager can work out, in the light of the predetermined policy, the course most consistent with fairness and good service.

These services every store must give. But some stores go beyond, depending upon their service policy. The ambitious store manager may have unlimited dreams of complete service, but these will be tempered in the making of the budget.

A list of supplementary services under the service department includes:

Information booths.
Lost and found.
Filling mail orders.
Filling telephone orders.
Shopping bureau—to give aid in shopping, and gift selection.
Waiting room.
Telephones.
Telegraph office.
Post office.
Children's playroom.
Medical service.
Bureau for the purchase of tickets of all kinds.
Advice on design and color, etiquette of dress, and on clothes budget.
Providing automobile parking facilities.
Garage.
Bus service to parking area.
Chauffeur service to parking area.

Delivery.—Just as the store manager was the first to encounter the merchandise as it entered the receiving room, he is also the last to supervise its departure through the delivery department.

The essentials of the delivery process are much the same in all stores. It starts immediately after sale with the wrapping of the merchandise. In some stores the merchandise is wrapped by the sales clerks while in others it is wrapped at a central desk.

The course of the package from the store to the individual customer's home is similar to the typical factory flow process. Gravity chutes, rollers, and conveyor belts are familiar adjuncts.

As the packages are carried to the delivery department, they are separated according to the type of sale—cash, charge, and C. O. D. The charge and C. O. D. packages are authorized for delivery by representatives of the credit office by means of a duplicate copy of files.

Packages are delivered in various ways. Most are sent out by the store's wagon delivery. Many, however, go by way of express or parcel post. Each calls for a different routine and method of recording.

Where packages are to be sent by wagon delivery they are separated according to delivery groups, and assigned to drivers. Each driver is also given the calls which have been received from customers in his district to pick up packages for return.

The drivers are held responsible for the packages assigned to them for delivery and for the returned packages which they have called for. Two methods of keeping account of packages in the delivery department are in use—the sheet-writing method and the stub method. Sheet writing is more frequently used.

Where sheets are written, C.O,D. packages are usually listed separately and the driver must account for each package with either the money or the package. Some stores list extra-valuable packages separately, and for these the driver must secure signatures.

The delivery employees, though under the operating department rather than the service division, are important in establishing customer good-will. They and their wagons are traveling advertisements for the store. They should be always courteous and neatly dressed.

Supplies and Purchasing.—The sequence of the supply routine starts when some department head sends in a requisition for supplies to the purchasing and supply office under the store manager.

Supplies are an important item of expense and each requisition should be considered carefully by the supply purchasing agent. If he believes that the requisition is justified, he may proceed to fill it unless stopped by the controller's expense office. (Under a complete centralized control all requisitions are checked by the expense office; under partial centralization only those are checked which threaten to trespass on the budget limitation.)

When the requisition is approved, it is filled from stock if the particular item asked for is on hand. The supply room should operate on an approved system of storekeeping with minimum and maximum amounts. The aim should be to attain a minimum investment in supplies, quick turnover, and yet have the necessary supplies on hand when called for.

The purchasing agent of the supply office should investigate the possible sources of supply and select that one which will best suit the purposes of the store—considering quality, price, and time for delivery.

It is in large items of equipment that special problems come up. These often must be planned for in the expense budget, and therefore when the requisitions come through they have already been decided upon. At all other times, however, the supply man and store manager should take the matter up with the controller or even with the general manager. The decision between two major types of equipment often involves a question of policy.

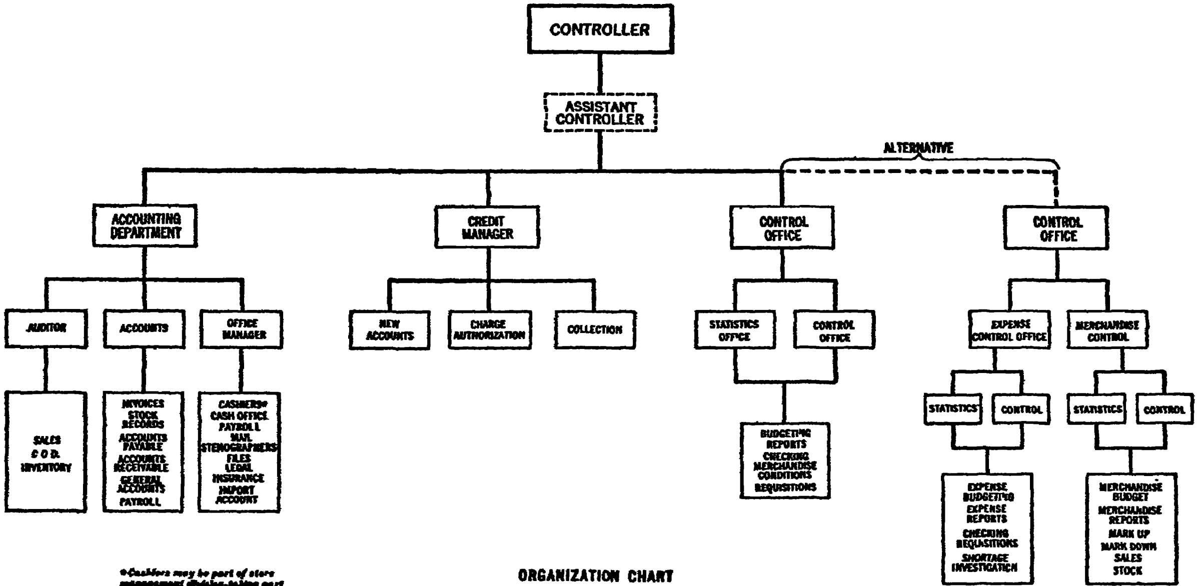
The receiving of supplies involves a procedure which in miniature is a duplication of the receiving of merchandise.

Protection.—The protection department is the store's police force. In the operation of retail stores, the constant stream of outsiders and the large staff of employees expose the store to theft and dishonesty. The protection department should include

detectives who mingle with the customers and watchmen who guard the building and its merchandise day and night.

The detectives of the protection department can also function to secure information in the event of accidents to customers.

Protection departments in the same city can coöperate to a great extent in exchanging information on habitual offenders. There is also an opportunity for the protection department to work in close harmony with the local police authorities.



*Cashiers may be part of store management division-taking part in delivery as wrappers.

ORGANIZATION CHART
OF
CONTROLLER'S DIVISION
(SUGGESTED FORM)

CHAPTER XIII

THE ORGANIZATION AND PROCESS OF CONTROL

ORGANIZATION

The Controller.—Heads the recording and financial division and is coördinate in rank with the merchandise manager, the store manager, and the publicity manager.

Advises the general manager in fiscal policies.

Safeguards net profit. Acts as a check on the other divisions to see that in their operations they do not endanger the maintenance of a fair net profit. Checks the merchandise division for satisfactory mark-ups, moderate mark-downs, sufficient volume, conservative inventories, and rapid turnover. In his responsibility for the other factor in net profit—expense—acts as a check on all expenses.

Assists in the formulation of the total merchandising budget. In control, checks to see that the budget limitations are made effective.

In expense budgeting, supervises the assembling of the division budgets, issues the current reports, checks to see that requisitions do not overstep the budget allowance and coöperates with each division head in the attempt to keep expense low.

Has charge of the recording functions, which include the maintenance of all the accounts and records of the store—merchandise invoices, stock records, accounts payable, accounts receivable, pay roll, sales audit, care of cash, statistics, inventory and general ledger. Also

has charge of credit and a group of miscellaneous office duties.

The Assistant Controller.—Assists the controller in all his functions.

The Recording Group.—Performs those many bookkeeping functions and paper routines which are included in the description of the control process. Can be divided logically into three groups—auditing, accounting and office.

THE AUDITING DEPARTMENT.—Has supervision of the three checking functions:

The sales audit with its check on sales slips, tallies, and cash turned in.

The C.O.D. audit of C.O.D. slips and of the drivers' C.O.D. delivery sheets.

The inventory procedure, which is the check on the accuracy of merchandise and stock records.

THE ACCOUNTS DEPARTMENT.—Has charge of all the bookkeeping and accounting functions in the store.

The Invoice Office in the Receiving Room.—Checks the invoice against the order, safeguards invoices as record and for the insurance of prompt payment, does paper work of invoices, follows up returns of merchandise to vender to secure proper attention or credit, keeps a balance of goods on order for each department.

The Stock Record Office.—Maintains the department merchandise ledgers which show the amount of merchandise charged to each department. Enters all transactions involving the

receipt or departure of merchandise for each department.

Merchandise and Expense Accounts Payable Division.—Keeps a set of books, the ledger accounts of which are control accounts for the detail ones in the other departments. Bookkeeping involves the making of journal entries and posting to general ledgers.

General Accounting Division. — Currently closes ledger accounts. Prepares operating statements and balance sheets. Checks the books of the company.

Accounts Receivable Division.—Does the bookkeeping work of customers accounts.

The Office Department.

The Cash Office.—Has charge of cashiers, the change given to cashiers for till money, collection of payments on charge accounts, deposit of checks and cash in banks, disbursements of petty cash, and the distribution of pay roll.

General Stenographic Force.

General Files.

Legal and Claims Division.—Does routine work not of sufficient importance to be taken care of through the general manager. This includes attention to surety bonds, accident claims, and numerous details.

Insurance Division.—Prepares and checks insurance policies.

Imports Office.—Calculates landed costs of imports and supervises the routine of importing.

The Credit Group.—Headed by a credit manager. Has charge of the extension of credit to the store. The credit manager assists the controller and the general manager in the determination of the credit policies of the store. Is responsible for the execution of these policies. The functions of this division include the solicitation of new accounts; coöperation with the publicity division; investigation of applications for accounts; collection of slow accounts, exchange of credit information between stores; authorization of charge sales, both taken and delivered. This involves the maintenance of credit files and the operation of a process of charge sales slip authorization.

Is particularly important in those stores which carry on a large installment business. Here the solicitation of new accounts is more vigorous and the necessity for a science of prompt collection more pressing.

Control Group.—Helps the controller carry out his functions of protecting net profit.

As the organization chart of the controller's division shows, there are two forms of organization to carry out the third group of activities.

The first plan groups the two functions by the type of work to be done. One is the preparation of statistics, records, and reports—the statistical function; and the second is the use of the reports and statistics in actual control.

The second grouping arranges the function by subject matter—one division for all statistics and control work for merchandise; another for expense. Under each of these there may be the further subdivision, as in the first plan, for statistics and control.

Both these plans are based on the principle of specialization—the first on specialization of function; the

second on specialization of subject matter and then on specialization of function.

EXPENSE:

Expense Statistics Office.—Prepares a summary of the past year's expenditures for each item of each division to be used as a basis for the preparation of a budget. Prepares the current expense report which gives the amount and percentage of sales for each item for the whole store and for each department.

Expense Control Office.—This is the controller's central agency in control. Coöperates with each of the divisions in their activities to reduce expense. Distributes to each division head the statistics on past performance prepared by the expense statistical office. In the making of the budget, strives to foster enthusiasm for budgeting, and gives its assistance in the preparation of the individual estimates. Studies them carefully and builds them into a total store budget. With the divisional head revises and compromises on individual items. Then prepares the budget for decision by the board of managers.

In the carrying out of the budget analyzes current-expense reports, studies individual departments, revises the budget frequently, and checks requisitions. (See process in Chapter XXI.)

Shortage Investigation Department.—Investigates shortages caused by theft or by book errors.

MERCHANDISE:

Merchandise Statistics Office.—Assembles past figures as basis for merchandise budget. Issues periodical merchandise reports and computes "open-to-buy" balances; prepares special merchandise statistical reports for executives.

MERCHANDISE CONTROL OFFICE.—Analyzes merchandise reports for controller and discusses with him departments and features which need investigation. Has as its aim the protection of net profit. Watches stocks, mark-ups, mark-downs, and volume of sales. The merchandise division checks and points out weak spots.

THE PROCESS

The Controller in Merchandise Planning and Control.— The controller's job as figure man and as guardian of net profit begins at the very start of operation in the formulation of a merchandise budget. The history of past operation is a vital factor in estimating sales, stocks, purchases, and mark-up. The controller's statistical office gathers these figures from the books and from past records, and presents them in handy form to each merchandise executive.

When the department estimates are ready, the merchandise manager and controller should get together to round the figures into a store plan. Should the merchandise manager and controller fail to agree on any point, the matter should be discussed at a meeting of the board of managers, and the general manager should render a decision.

In control the first function of the controller is a statistical one. Periodically, the statistical office under the controller issues a report on the merchandise performance of the store, giving for each department the current sales, stocks, purchases, orders, mark-downs, and percentage of mark-up. For the purpose of comparison the report also should include the planned figures of the budget and the figures of past years.

In compiling this report the controller's force uses the books and records which they themselves keep. Records of sales come from the auditing process; records of stocks come from the merchandise ledgers of each department, as do also mark-downs and percentage of mark-up; orders outstanding are

taken from the balances of goods in order maintained in the controller's receiving-room office.

These merchandise reports are used primarily by the merchandise executives. The controller or his assistant studies the reports carefully and calls to the attention of the merchandise manager any outstanding situations.

An important instrument in merchandise control is the "open-to-buy" allowance. As part of the merchandise report, the controller's office computes the balance available for purchase for each department. This is a mechanical step arrived at from the revised planned sales for the month, the planned stock for the end of the month, the sales for the month to date, the stock on hand, and the orders already placed. The division merchandise manager and the merchandise manager must O.K. all merchandise orders. One of their first acts, when an order comes up for approval, is to compare it with the current "open-to-buy" allowance. If it encroaches upon the balance available for new orders, the merchandise managers should investigate the stock condition of the department and study the need for the merchandise ordered. The division merchandise managers and merchandise manager should so direct each month's purchasing that the department will not exceed its allowance. It should be the function of the controller to watch the "open-to-buy" allowance and to safeguard against its being overstepped. He should study the stock situation of each department and if he feels that any one is nearing a danger point, he should have the authority to intervene and enforce the "open-to-buy" limitations.

There are times when a department has used its full allowance and imperatively needs more merchandise. At such times the general manager may be appealed to for an additional appropriation. This enables the merchandise division to take advantage of unexpected purchase opportunities when the offering is attractive enough to lead the general manager to make special allowances.

An important requisite to any "open-to-buy" allowance is the current revision of the planned figures for sales and stocks

on the basis of recent sales. These changes should be worked out by the merchandise manager and controller at the first of each month or at any time upon the request of a division manager or buyer. The controller in fulfilling his function of merchandise control should strive to prevent over-stocking.

The Controller's Functions in Receiving.—The recording and routine functions of the controller begin at the start of the journey of the merchandise through the store—in the receiving room.

In the receiving process the controller's functions center in the paper and accounting work.

A duplicate of every merchandise order is sent to the controller's office in the receiving room. As the invoices come in they are checked by the controller's office against the order to see that the store is being charged only for merchandise ordered. If merchandise arrives without an invoice, the invoice must be secured from the vender. The controller's office must guard the original invoices, to retain them for entry into the stock records and to insure prompt payment. To keep account of all invoices there are numerous devices—giving each invoice a registered number, checking against a recapitulation list, and making several copies for checking, marking, and department file purposes. The newly arrived merchandise is then entered into the stock records.

The stock-record office under the controller maintains the department merchandise ledgers, which show how much merchandise should be in each department in dollar amounts. This requires that there be kept a record of all transactions affecting the merchandise charged to each department. All receipts are added to the department account as soon as record of arrival is sent from the controller's receiving office.

All other merchandise transactions are entered in the same way. Whenever merchandise is brought into a department, it is charged to that department; whenever it is taken from the department it is deducted. Merchandise returned to venders is

deducted, and merchandise that is sold is credited; returns by customers are added; mark-downs are deducted from the retail value of the stock; subsequent mark-ups are added to this retail figure; and a physical transfer of merchandise from one department to another must be accompanied by a transfer on the stock records. Whenever any merchandise transaction takes place in the store, it is reflected in a figure entry on the stock records.

The stock-record office should see that all these transactions are properly recorded, so that the amount of merchandise charged to any department represents as accurately as possible the actual inventory.

Under the retail system of inventory, these ledgers are so kept that the average mark-up of the original stock and purchases may be applied to the retail stock on hand in order to arrive at a fairly accurate computation of cost of goods on hand.

In many stores the controller's receiving-room office keeps a record of the amount of outstanding orders for each department. This requires keeping a record of the amount of orders placed by each department and then subtracting the daily receipts to arrive at the balance on order. This figure, as well as the figures on stocks and sales in the stock ledgers is used in the compilation of merchandise reports.

The return of goods to venders for credit or repair brings about the interaction of several parts of the organization. It is the buyer who decides to make the return and secures the authorization of the division manager and the merchandise manager. Before shipping, the controller's office is interested in knowing whether the goods have been already paid for by the store. The accounts payable readily determine this. If so, the controller or assistant controller must decide whether the vender is a good enough credit risk.

The shipping department under the store manager packs and sends the merchandise to the vender, after making sure that the return is duly authorized. Then the stock-record office deducts the merchandise from the stock ledger. When a store has many returns, it should have some mechanism of follow-up to see that

the merchandise returned is given the proper attention or credit. This function could well be taken care of by the receiving-room office of the controller by keeping a file of all returns and checking them frequently.

The accounts-payable office under the controller receives the invoices from the controller's receiving-room office and prepares them for payment. This is merely a routine of checking to make certain that all invoices have come through, arranging them by due dates, making checks, checking the total of checks against the total of invoices to insure accuracy because of the large sums involved. A high executive in the controller's office—perhaps the assistant controller—should sign all checks. Bills for supplies and advertising are taken care of in much the same way.

A function of the controller's office in receiving foreign merchandise is the computation of the landed cost of the shipment. The controller or one of his assistants should have a thorough familiarity with the procedure incident to foreign purchasing, even where customs brokers are employed. Factors which must be included in the calculation of landed cost are:

1. Foreign invoice cost
2. Rates of exchange
3. Import duty and customs entry expenses
4. Foreign inland transportation and ocean freight
5. Domestic transportation expenses
6. Insurance
7. Warehousing
8. Buying expense in foreign purchasing; commission expense, foreign office maintenance, store import department, and foreign traveling expense.

Payroll.—As part of his recording functions the controller has charge of the routine functions of the pay roll. From a list of employees and rates of compensation drawn up by the personnel office, the controller's pay-roll office arrives at the amount due to each employee after making deductions for em-

ployees' charge accounts that are due and for any insurance or thrift payments that the employees wish to include in their coöperative activities. The actual cash is paid by the controller's cash office.

Auditing.—The details of the auditing procedure present such a mass of detail that the story should be limited to summary form. The procedure of auditing and recording differs somewhat according to the type of sale—cash, charge, or C. O. D. The principles are essentially the same for all. The first step is to be sure that the slips are accurately filled out, and that the amounts on each part correspond to the other parts.

When all the slips are checked for accuracy the next step is to have the amount of sales separated into charge, cash, C. O. D., for each department, then for each cashier, and finally for each sales clerk. Besides serving as records, these totals play a prominent part in the checking process.

The total of the audited cash slips should equal the amount of cash turned in or collected from each cashier, giving her credit for all authorized refunds. This enables the auditing department to detect overages or shortages in cash. This check is equally important where there is a centralized tube room.

Some stores have a central cash department which handles all the cash of the store. This department, under the controller, collects all cash from cashiers, has charge of their till money—in fact, has responsibility for all incoming or outgoing cash. They receive all payments on charge accounts, and make all petty cash disbursements, and even give out the pay roll checks. This specialization is merely to safeguard against loss or theft.

Still another check is secured by comparing the total audited sales of each clerk with the tally in her sales book. This often calls for the use of alternate sales books, one being used while the other is being checked with the sales slips of the previous day. This procedure will disclose the absence of any sales slip that might have gone astray in the trip from sales person to auditing department.

This same auditing process is applied to credit and refund slips, as well as sales slips. Credit and refund slips are made out much the same as sales slips, and are also recorded on tallies. They go through the same checking for accuracy by the auditing department and are then totalled by departments and clerks; refund slips are also totalled to determine the amount for each cashier who paid them. These totals when deducted from the gross sales figures give the net sales of each department; for sales clerks they give the net sales of each which may serve as a basis for compensation; for cashiers they give, as already explained, the net cash which each is expected to turn in.

C. O. D. slips are retained to be checked later with the delivery sheet. For each C. O. D. sales slip, the controller's office must find a record of either cash received or of a package returned undelivered.

The history of the charge sales slips and of credit slips extends beyond auditing. After they are checked and totalled, they are given to the accounts receivable division, where each transaction is posted to the individual customer's account. Monthly bills are sent out for balances due.

The existence of charge accounts springs from another function of the controller, which really precedes the sale—his responsibility for extension of credit. The function begins in the solicitation of new accounts. Most stores are anxious to add to their number of sound, active accounts; but discretion must be used in the starting of accounts. For this purpose a science of retail credit has been developed. Coöperation between stores has resulted in an exchange of information which is of great help to the credit office in avoiding undesirable risks. Intelligent investigation of bank references and accounts at other stores sheds considerable light on the extent to which credit can be granted. Credit limits are set by the credit office designating the maximum amount to which each customer's balance may reach. These limits are constantly revised as the experience of the store yields more information on the paying habits of the

customers. In many cities stores currently exchange information which give one another notice of slow accounts and frauds.

Every charge sale is referred to the credit office for an investigation of the credit standing of the customer. Where the parcel is to be delivered, a representative of the credit office with a duplicate set of files is placed in the delivery department to look up the standing of each customer and authorize each package as it goes through for delivery. Where the parcel is to be taken, quicker authorization is necessary. Here the slip is sent to the credit office, or a phone authorization is used, or the sale is authorized by the section credit manager.

Under the credit office also comes the collection of slow accounts. It is a delicate problem, one in which the necessity for turning accounts into cash must be weighed against the danger of incurring ill-will.

When a store has a large installment business the credit office takes on a greater importance. The growth of time payments has been a notable feature in recent years and has called for an extension of retail credit functions into a new field.

Another variety of customer account—in fact, the opposite of the charge account—is the layaway. Here the customers deposit money with the store against which they later make purchases. Instead of extending credit, the store acts as a bank to receive deposits. Some stores operate this in addition to charge accounts; others use the layaway, or deposit account plan, because they do not have charge accounts. The operation of layaway accounts comes, as all other recording functions, under the controller.

Statistics.—All the records include information which is essential for intelligent operation. It is the function of the statistical office to select the significant figures and shape them into useful reports. Among these we have seen already are: the compilation of past figures as a basis for merchandise and expense budgets, the periodical merchandise reports which are used in control, the periodical expense reports, and the pay-roll reports.

There are regular reports which show the number of transactions and the average size of sale. In addition to all the regular reports, the statistical department should be equipped to prepare special reports for individual executives. In large stores where there are statistical assistants to each of the division heads the controller's statistical office should coöperate fully with each of them. In this way there can be developed the most effective utilization of statistics in every phase of operation.

Inventory.—An important function of the controller is the supervision of inventory taking. The department merchandise ledgers in the stock record office provide a book inventory of merchandise in each department. This figure must be checked now and then against the actual merchandise in the department. Store-wide inventories are usually taken semi-annually, but individual departments, such as ready-to-wear, take their inventory more frequently.

The controller is in charge of the entire procedure. It is he who determines the method and the routine to be followed. His office prepares the inventory sheets and gets all in readiness. They select the inventory takers, making use of the whole store staff. The responsibility for accuracy is the controller's.

Inventory may be taken at cost, or retail, or both, according to the system in use in the store. Under the retail method, merely the retail need be taken. In all methods the extensions and calculations from the sheets are made under the supervision of the controller. Some stores employ outside calculating experts for this purpose.

When the actual physical inventory is calculated for each department, the figure can be compared with the book figure in the stock-record office. Any discrepancy may be either shortage or overage; shortages predominate. It is the function of the controller to study and eliminate the discrepancies. In a large store this function is large enough to justify the full-time work of a junior executive.

Shortages result from a great variety of causes. Trade

associations have listed several hundred individual causes for stock shortage. In general they can be grouped in two classes—book errors and dishonesty.

Book errors are responsible for the larger part of stock shortages. Under this heading come a host of causes: receiving-room errors, marking errors, reserve-stock errors, stock-record errors, inventory errors, and numerous other slip-ups. Failure to record mark-downs is responsible for a very large share of the total shortage.

Dishonesty may be either without or within the store. From without comes the shoplifting menace. The hardest cause to detect is theft from within the rank of the store's employees. Such theft may often be covered by false sales checks or forged credit slips.

The shortage control head should first determine the cause for the shortage. A well-operated piece-record system will often help to localize a shortage. And of course where dishonesty is the reason, the protection department can be of assistance.

Miscellaneous Functions of Controller.—There are several functions, closely related to the financial and recording activities of the controller, which should come under his supervision. Among these are:

1. Supervision of all insurance matters. There are numerous kinds of insurance which must be placed in a department store—both on the real estate and on the merchandise. Recently there has been considerable development in the scientific analysis of insurance problems and in economies in the cost of insurance.

2. Income and other taxes. Closely associated with the accounting function is the preparation of returns of Federal and State income tax, local realty tax, corporation excise taxes, and other levies.

3. Government reports—The Federal Reserve Board, the Department of Commerce, and other government agencies are increasing their activities, gathering information on retail trade.

The controller with the assistance of his statistical department is best equipped to coöperate with these boards.

4. Direction of general stenographic force.
5. General files.
6. Receipt and distribution of mail.
7. Legal matters, including claims, not of enough importance to be handled through the general manager.

Bookkeeping and Accounting.—In the department store, as in every industrial organization, general ledger accounts must be kept. It is the bookkeeping division under the controller that makes the journal entries and posts to the ledger accounts. The accounting function is rounded out periodically when accounts are closed and a balance sheet and an operating statement are drawn off. It is this impartial record that reflects the whole store process and gives the indisputable verdict on net profit and growth. Operating statements may be prepared for the whole store and for each individual department. When the other financial interests of the store are added to the operating statement, it becomes the income statement.

CONCLUSION

Such is the place of the control division in the store—first in the keeping of records, then in the use of records in directing the stream of operation. It is in this latter sense that the controller lives up to his name.

In the recording processes that come under the controller are most of the "system" and red tape of the department store. Here we find many complicated operations—in which the responsibility for determining the exact sequence of individual steps is upon the controller. Much in accounting and recording has been standardized and all stores may follow a set routine. The forward-looking controller will strive to improve these processes by eliminating and combining steps. The maze of individual steps in sales auditing, in receiving records, in accounts receivable,

holds forth enticing possibilities of simplification to the progressive controller with the ability of an industrial engineer.

One function of the controller has been kept for the last because of its extreme importance. This is the part he plays in the fiscal policies and requirements of the business. Through his intimate association with the financial accounts and the standing of bank balance, he should be a prominent factor in planning a financial program of operation. It will be quite helpful, where there is no great surplus of capital available, if the controller draws up a financial budget outlining the anticipated receipts and disbursements for the period. This will enable him to arrange better his bank accommodations if any are necessary.

The controller should also have charge of the investment of any temporary surplus when such action does not involve a major question of policy. When a change in capital structure or the use of large amounts of funds for permanent investment is contemplated, the controller should act as an adviser, but the final decision should come from the general manager or corporate officials representing the stockholders.

CHAPTER XIV

THE PROCESS OF EXPENSE CONTROL

Budgeting and Follow-Up.—Expense control is not any one single job in the department store which can be put into a small office apart from the actual operations in the store. Expense control is the combination of all the efforts directed toward keeping down expense. At present most of these efforts lack coördination, centralization, and uniformity. Many people want to accomplish the same end—to save money—but there is no marshaling of these good intentions into a workable scheme. The efforts at expense control in a department store to-day might be compared to the efforts of an army in which each soldier goes his independent way to defeat the enemy. The following plan aims to set forth a routine which should help to bind the scattered attempts to economize into a powerful, orderly process in order to make retail operation more profitable.

Expense control should consist of two general stages: (1) a budget; (2) day-to-day follow-up. These two stages should not be separate steps, but should complement each other. The budget should be the plan through which the follow-up process functions. The follow-up should make full use of the budget in the actual check on current expense.

Budgeting.—The starting point in expense control should be a well-planned budget. Before going into the routine of the budgeting process, there are some general characteristics of the budget which should be stressed.

The budget should be complete; it should include all the items of the store's expense. When finished it should represent the total cost of doing business for a specified period (usually six months). Many retailers feel that only variable items should be

budgeted, and that the estimating of all items of expense is a needless statistical refinement. It is true that many of the items are relatively fixed. But they should be included so that the store may have an estimate of total expense. Only then can the significance of the variable items in relation to the total be appreciated. Only then can the total be compared with that of other stores. And "fixed" items are not so unchangeable that they cannot be altered if a complete budget shows them to be out of line. If the total rental of a store should prove too much of a burden, part of the space may be subleased. If fixed interest charges are too heavy, a change in the financial structure may be advisable. Furthermore, though the total of some items may be fixed, the distribution of these charges among selling departments is quite variable. Such is the case with rent and other occupancy expense. To "do the job of budgeting up brown" all the items of expense should be planned.

Estimates must have accurate information of past performance as a basis. The statistical office under the controller should assemble from ledger accounts the actual expense which has been incurred for each classification of expense during the previous year. The particular classification used varies in different stores Some use the National Retail Dry Goods Association's standard classification of accounts. Others have developed their own classification. These past records may be arranged with each item on a separate sheet, with space left for the current estimate for each month of a six months' period.

At least two months before the beginning of this period, the central expense office should distribute these budget sheets to the division heads in whose divisions the expense is incurred, together with an explanation of the budget idea. The division heads should further divide these sheets among their subordinates, so that each one may make the estimates for those items for which he is directly responsible. For example, maintenance expense would be referred by the store manager to the maintenance superintendent, who might divide his items between the head carpenter, head electrician, and head painter. Each subordinate

should then estimate the expense by months for each of his items. He should study the figures for the past year and make what changes he considers advisable in view of the needs of the coming period.

Each division manager should gather the estimates of his subordinates and study them. He should hold a conference with each of his men and discuss the items with the man responsible for them, weigh individual changes, and reconcile them to general policies. The division manager should total the items and compare the resulting sum with past totals for his division.

The central expense office then gathers these detailed estimates of each division and carefully reviews each item. If there is an item with which the central office does not agree, a conference is held with the division head. If necessary, the subordinate also is called in.

The total for each division and the total for the store are studied. These totals are compared with past figures and with figures of other stores. If the totals are out of line, the expense office should search through the individual items to see where a saving can be made.

The expense office should examine the budget for the individual selling departments as well as for expense classification. Advertising display and selling expense already have been budgeted for each department. There are other items which can be easily and accurately distributed to each selling department and occupancy expenses can be based on actual floor space. All other indirect items can be distributed tentatively among departments on the basis of planned sales. There then is available a satisfactory estimate of total planned expense for each selling department. This figure should be compared with the planned gross margin for the department. Such comparison will disclose what departments are planned to operate at a low net profit or at a loss. These unsatisfactory departments can then be studied by the buyer, the merchandise manager, the store manager, and the expense office. Changes which will prevent a loss may be made before the period begins. Often the activities of these depart-

ments can be curtailed, amalgamated with other departments, or perhaps dropped entirely. Throughout, the responsibility of the store to give thorough service and to maintain complete line, should be appreciated.

The budget is now ready for executive review by a board of managers, which should consist of the general manager and his chief executives. When a division manager and the expense office cannot agree on an item, both estimates should be submitted. The board of managers should study the budget, considering the division totals and the points of difference between the division heads and the expense office.

In this meeting the need for saving and the need for constructive expenditure are weighed. Here the budget is made to conform to the general policy of the store. When there is a conflict of opinion between division managers the general manager should determine the course to be followed.

Expense Follow-Up.—This budgeting process is but the first stage in expense control. It is merely the drawing up of a program. The carrying out of this program is the real core of expense control. In fact, since most stores have no complete budget, their expense control is limited entirely to what is called here the follow-up.

The follow-up is the day-to-day check on expense. All stores have many operations and many checks to keep expense down. These, however, should be coördinated into an orderly process. A feature of such a process should be greater centralization. This will provide uniformity of method. But centralization should not be adhered to to such an extent that it results in too much red tape and too much interference with the initiative of individual executives. Centralization should, however, coördinate the work of these executives, give to their efforts a uniform point of view, and impose the strong hand which economy always requires.

In all these expense checks economy should be tempered with a sane long-time point of view. A store must economize if it is to

meet competition and survive periods of declining price levels. But it should not be "penny wise and pound foolish." It should realize that a vital factor in retailing is the maintenance of a large body of steady customers whose good-will toward the store must be guarded. This requires, from an expense angle, the maintenance of adequate service just as it requires the maintenance of complete basic stocks from a merchandise angle.

Routine of Expense Follow-Up; Reports.—The controller's statistical office should compile and issue current reports on expense performance. These reports should appear at intervals of one month or even more frequently. They should show the amount of expense incurred for each of the principal classifications, with comparative figures for the past years. Reports should be issued showing expenses distributed among selling departments—monthly or even weekly advertising and selling expense, and complete expense statements for each department several times a year.

These reports are guideposts in expense control. Periodically they show how far and how rapidly the store and the divisions of the store are progressing toward the goal. These reports should be studied by the executives of the store.

The general manager should watch the record of the whole store and of the major divisions. He should single out those points where investigation seems to him to be necessary, and should take up these points with the controller and with the central expense office.

The controller should examine these reports in more detail than the general manager does. It is he who should watch the net profit of the store, and expense is one of the chief determinants of net profit. Furthermore, it is the controller to whom the central expense office is responsible, and he should check their work as reflected in the expense performance of the store. The controller should look into those items which require correction, those which the general manager has pointed out to him, and those which he himself has noted.

The reports should go to each of the division managers who should concentrate most of their investigation on their own divisions. The store manager should examine searchingly the selling expense, the supply expense, and the maintenance items. The publicity manager should check the amount spent on newspaper advertising, by the store and by departments to see where he can reduce the total expense charged to his division. The merchandise manager should watch his buying expense, particularly salaries and travelling expenses. He should also be interested in the expenses and net profit of each selling department, for these have an important bearing on merchandise policies. The controller, at the same time that he is checking the entire store, should examine the expense charged to his division. Each division manager should make these reports occasions for an audit. He should compare the actual expense with the allowance for the same period in the budget. He should analyze the reasons for changes, and together with his subordinates strive for improvement. The division managers should also study the reports of divisions other than their own. From their removed positions they may notice some points that the executive closer to the problem may have overlooked. Furthermore, a knowledge of all expense is important to the division managers in aiding them to formulate general policies for the store.

These reports should not be confined to higher executives. Each buyer and non-selling department head should receive the figures for his department. The controller and the merchandise manager should encourage the buyers, and all division heads should encourage their subordinates to ask questions about expense statements. They should explain the items from which the reports are built up, show how the figures can be used in keeping expense down, and how they should be compared with the budget. Here is an opportunity to spread the philosophy of expense control throughout the store among those who come closest to expenditures.

The reports should be studied carefully by the central expense office. Here the efforts of the entire organization should be

coördinated toward lowering expense. Other executives have many duties and may not find time to study expense. The work of the central expense office is entirely the control of expense.

Each item of the reports should be studied in detail and should be checked with the budget. However, to be effective, the budget should be periodically revised on the basis of changing conditions. The original budget was based on planned sales. As the period advances actual sales may modify the original plans. Current profit figures and the expense and profit figures of coöperating stores may suggest changes in the budget. When a revision of the budget requires merely a shifting of amounts within a division total, it should be worked out between the expense office and the division manager. When it involves an amount beyond the division total, it should be referred to the controller and the board of managers.

When an item is out of line, the expense office should investigate. It should talk over the situation with the division manager and his subordinates. The central expense office should investigate both the item that is too high, and also the one that is too low. When the allowance in the budget is not being used, it may be due to failure to do a thorough job. A buyer may not be using his proper advertising and display allowance, or a department may not be employing enough salespeople to give complete service.

The expense office should examine the report of expense for each merchandise department. This is another way of catching items that are out of line.

An additional check on expense is through a study of special reports which are made periodically. One such report is a pay roll report showing the number of people employed in each position and their salaries. Since salary expense is by far the largest item in store expense, concentration on it will aid expense control. The pay roll report, prepared by the pay roll department, should be examined by the expense head and by the store manager. The store may take this opportunity to go over the case

of individual employees and study their performance. Another such report may be the supply department report.

In both regular and special reports, the work of the expense department should not be limited to a perfunctory examination. The expense department should strive to keep its criticisms within the realm of practical operation and not become academic. It should be constructive and helpful. When an expense problem is presented it should lend its aid to the division manager in solving it. The expense office should capitalize the desire of each division manager to do a good job, and should have the studies made under his auspices.

Requisitions.—The discussion of expense follow-up after the budget has dealt only with reports and the study of these reports. But examination of reports comes too late to correct mistakes that have been made. It is like discussing the strategy of a battle after the smoke is cleared and the dead have been buried. It is far better to have a comprehensive plan of campaign (the budget) and a quick effective check on each step before it is taken.

Such a check is provided through a system of approving requisitions, before expenditure, for those items which involve variable expense. This would include all operations affecting pay roll expense—hiring, removal, transfer, or change in salary. It would also include supply expense, orders for mechanical work, petty cash expenditures, traveling expense, and other incidental items.

When the buyer or non-selling department head needs an additional employee, or supplies for his department, or any item of expense included in the list just enumerated, he should fill out a requisition for it. Stores often have such requisitions as a means of recording expense rather than as an opportunity of checking before expenditure. When the department head knows that his requisition will be studied and checked, he will be much more likely to study the situation before he fills out the requisition.

Now comes the check on the requisition and it is quite a problem to decide to what degree this check should be centralized. One plan is to have all requisitions pass through the central expense office for approval before going to the employment department or to the supply department or to whatever department is to fill it. Here the expense office would have an opportunity to study the merits of the requisition. It could figure out the amount of the budget allowance for that item which has not yet been used: *i.e.*, how much the department is open to spend for that item. This will keep expense in line with the revised budget. When the expense office does not think the requisition should be filled, it should have the right to reject it, subject to the veto of the controller, and finally, of the general manager.

This centralization of all requisitions has the advantage of specialization of technique. Its chief merit lies in the fact that it assures complete checking. Centralization will result in uniformity of policies of economy.

But there are numerous objections to complete centralization. It increases red tape. If the system of requisitions involves delay or pigeonholing, difficulties will result. Centralization is expensive: it involves a large central office. A fundamental principle of all expense control is that the cost of administration should not exceed the potential savings. A major objection raised against centralization is that it is an unnecessary infringement on the independence of the division managers.

Two plans are available to secure control and yet avoid the disadvantages of overcentralization. One is to have a special statistical assistant, in harmony with the expense office, work with each division head, and become a part of his office. When the requisitions for this division come through, he can check them with the budget as under centralization, but with closer coöperation as a result of continuous contact. Another plan would be to have each division check its own requisitions up to the monthly allowance for each item in the budget. Beyond this monthly allowance all requisitions should pass through the central expense office. The advantages of this method are that it avoids red

tape when a division is within its figures, but has an effective central check when it is most needed. The point at which the check would shift to the central office would be definitely set at the monthly total assigned in the budget. Using monthly budget figures avoids any serious situation developing before attention of the central office is attracted.

In those cases in which the controller opposes an expenditure by one of the divisions and no compromise can be effected, the matter must go to the general manager. Often it is an appropriation to improve customer service—and then the general manager must base his decision on the extent he wishes to sacrifice immediate net profit to complete service.

Whether complete or partial centralization is adopted, there should be a check on requisitions by the departments which are to fill them. The employment department should study all requisitions affecting pay roll. If it is a requisition for hiring or transfer, it should study the personnel needs of the department. If it is a requisition for change in salary, the employment department should study the record of the individual concerned. In important matters or in difficult problems, it should consult the head of the division, the store manager. And so, also in the supply department, any large or unusual expenditure for equipment might even require the approval of the general manager. For merchandise-buying and travelling expense the merchandise division should pass on requisitions, even if there is a centralized check.

Newspaper advertising expense would not require day-to-day requisitions even under a centralized check. The advertising manager should keep record of the amount spent by each department and compare any application for space with the department's unspent budget allowance. The advertising manager should consider each request for space as an expense requisition. Here the expense office would operate only when current reports show the budget is not being adhered to. Then the expense office would confer on the situation with the publicity manager.

PART III

CASES

The following hypothetical cases illustrate the method by which the organization developed in Parts I and II would handle particular problems requiring solution. The effort in Part III is to describe the functioning of the organization and not to answer particular problems of operations. No solutions to the problems presented are, therefore, given.

CHAPTER XV

CASES

First Case: Should a Large Department Store Build a Garage to Provide Parking Space for Its Customers?—Brown & Co., a large department store with an annual sales volume of more than $15,000,000, is located in a large city where the traffic problem in the retail district is acute.

The store had for some time been trying to raise its merchandise standards. Some progress had been made and the average sale had been slightly increased. The progress, however, had not been rapid, and the general manager felt that one great deterrent was the lack of sufficient customer service. Therefore, he assigned to the comparison office the task of preparing a report, analyzing in detail the service offered by other large retail stores, and pointing out the deficiencies of his own store.

The head of the comparison office with her shoppers made a detailed study of the service facilities in each store, and compiled this information in a report to the general manager. One topic, in particular, attracted the attention of the general manager. Other stores offered parking facilities to those customers who came to the store in automobiles. The Brown store had no such facilities. One of its competitors maintained a large garage and offered free parking to all customers who had made a purchase the same day. Another store had arrangements with a large commercial garage to provide parking facilities for its customers free of charge in the morning and at reduced rates in the afternoon.

The problem of parking facilities interested the general manager. He had encountered the general traffic problem as a member of the Mayor's Advisory Transit Committee. The store

manager had previously repeated the complaints of customers who had expressed irritation at the failure of the store to provide some means for parking automobiles. The publicity manager also had mentioned it to him.

The general manager brought the matter of parking facilities before his board of managers. What should be done?

The store manager was enthusiastic. For a long time he had complained that he was handicapped by meager appropriations in his endeavor to maintain a more complete customer service. Because of his responsibility to maintain and raise the standards of the store, he welcomed this new suggestion.

The controller immediately pointed to the mounting expense of the store and warned that any additional outlay would imperil net profit. He advised that the step should not be taken unless it would definitely result in an increase in sales sufficient to counteract the additional expense.

The publicity manager was of the opinion that parking facilities would prove of publicity value, and would attract shoppers who lived in the surrounding suburban districts.

The merchandise manager at first grumbled at "more indirect expense to be loaded on to the departments," but, on second thought, warmed up to the idea. It would stimulate the sale of higher-priced merchandise and aid him in raising the merchandise standards in accordance with the definite policy the store was attempting to effect.

The general manager had anticipated the comments of the store manager and the controller. But the opinions of the publicity and merchandise managers suggested that the increased volume of sales might answer the objection of the controller. They warranted further investigation.

He therefore asked the store manager to prepare a tentative plan for a garage. The controller was directed to work with him on the probable cost of construction, the estimated expense of upkeep, and the additional volume of sales which would be required to justify the expenditure. Both were to report at

a meeting of the board of managers to be held in the near future when the matter would again be discussed.

When the reports were submitted, the store manager presented his sketch and description and added that he was more than ever convinced of the need for the garage. Not only would it result in an increased volume, but a continued delay would lead to a loss of sales.

The controller was adamant. His report outlined the large amount of additional expense for which he saw no prospect of adequate compensation. He warned against following the foolish lead of other stores in undertakings which would ultimately result in all retailers submerging their profit in an overwhelming burden of expense.

The publicity and merchandise managers were favorably disposed toward the store manager's plan.

The general manager considered the opposing points of view held by the controller and the three other managers, and made his decision.

Second Case: Departments Operating at a Loss.—The corset and waist departments of the Smith Company had shown a loss for each of the last four years. The controller brought the matter to the attention of the board of managers and urged that aggressive steps be taken to remedy the situation. He offered three suggestions. These departments should be either leased, or dropped, or their basis of operation entirely modified so that they would show a profit.

To the first proposition—leasing—both the store manager and merchandise manager were unalterably opposed. The store manager feared that it would be difficult to control service in leased departments and that the probable gain was too small to compensate for the risk of the store's leadership in service. The merchandise manager, too, thought that leased departments made difficult the maintenance of uniform merchandise standards.

All the members of the board were opposed to the second proposal, namely, that these departments be dropped. The pub-

licity manager pointed out that these departments were operated in all competing stores, and he felt sure that, to maintain its competitive standing, his store should continue them, even at a loss. The store manager pictured the resentment of customers on finding that the departments had been discontinued. The merchandise manager expressed the opinion that the merchandise carried in these departments would return to popular demand either in the current or the succeeding season.

All agreed, however, that the plan of operating the department should be modified. It was decided that the expense budget should be prepared on the basis of showing a lower operating cost for these departments. The store manager expressed one reservation. He felt that under no condition should economy impair the service standards of the store.

The modifications began with the expense budget. The Controller had his expense office prepare the planned total expense (direct expense and a tentative distribution of indirect expense based on planned sales) for each of these departments, comparing the total expense figure with the planned gross margin. As he expected, these departments were scheduled to operate at a loss even on the basis of the planned figures. He gave these figures to the merchandise manager.

The merchandise manager conferred with the divisional merchandise managers who had supervision over these departments. He found them eager to coöperate. They were just as anxious as he to improve these sore spots.

Part I.—The story of the waist and blouse department serves as the first example. The sales of waists and blouses had suffered woefully since the increasing popularity of dresses. The stocks of merchandise in the department had been quite satisfactorily controlled and had never been out of line with actual sales. Assortments were excellent. Therefore, the controller and merchandise manager decided that the improvements must come in the expense.

Fortunately, the buyer of waists and blouses had resigned a

short time previously, and the division merchandise manager, who had intended to replace her, decided to start on his economy campaign by combining, under the sweater buyer, the waist department and the sweater department. He arranged to give the sweater buyer an increase. This arrangement cut the buying expense of the waist department practically in half.

With the new buyer helping them, the publicity manager and division merchandise manager tackled the planned advertising expense. The advertising manager pointed out to them that the publicity allowance was already based on the planned sales. To help along, they agreed to reduce the advertising allowance and do their utmost to increase the effectiveness of the space remaining.

The occupancy expense presented a real opportunity. Although the sales of waists had shown a marked decline, little change had been made in the space assigned to the department. The same layout, counters, and display had been maintained. Immediately the division merchandise manager called in one of the maintenance engineers under the store manager and sought his advice. The maintenance man sketched a tentative floor plan which would reduce the space to one-half its existing area. The extra space could be used at that very time for a necessary expansion of the adjacent inexpensive dress department. The buyer worked with the maintenance man explaining the location of the fixtures from a merchandising point of view. As a result, the occupancy charge was cut in half.

The expense office and the divisional merchandise man proposed the transfer of three sales people, but the service manager, whose advice was asked, protested that the department would not be able to give adequate service to customers. They compromised by eliminating one, instead of three, and replacing a full-time girl by a part-time employee who would work from 11 to 4.

When these new estimates were compared with the planned gross margin, it was found that the department was now scheduled to operate at a fair profit.

Part II.—In the corset department the situation was entirely different. Expense had already been reduced to the bare essentials. Expense was not too high for the gross margin, but the gross margin was too low to cover expenses. The problem was one of merchandising.

The multiplicity of styles, the frequent influx of new ideas and new models, and the activity of national advertisers in establishing a demand for many different types of corsets and rubber girdles had combined to make the life of the corset buyer a worried one. At present, her department was overstocked and the merchandise report showed that it was not open to purchases. And still, it did not have a sufficiently large stock of the best sellers. The mark-downs had been large for the preceding year and the stock-turn was one of the poorest in the store.

The division merchandise manager and the merchandise manager agreed that the solution for improvement was in the better selection of merchandise. Accordingly, they worked out the following plan:

1. Immediate clearance of all slow-moving stock.
   (a) All merchandise antiquated in style, inferior in quality, shopworn, or otherwise undesirable would not be sold to the store's customers. These were to be sold to bargain retailers.
   (b) Those items which the store felt it could sell to its own customers without loss of prestige, were to be sold at a considerable reduction.
2. The installation of a unit control system in the department which would show exactly the number of pieces selling in each line. This would enable the division merchandise manager and the buyer to detect immediately the popularity of each style. Also it would show the units of every style in stock, warn against the reorder of slow numbers, and direct attention to the depletion of actively selling stocks.
3. More conservative purchasing.

4. Preparation of a report by the comparison office on the corset departments of other stores. This comparison report was to deal primarily with assortment of stock, but was to include all other factors bearing on the success of the department.
5. Encouragement of the sales people to maintain more faithfully and accurately the call-slip system in order to give comprehensive information on consumer demand.

Third Case: Expansion of Profitable Departments.—During the same board of managers meeting at which the controller was seeking the elimination of losing departments, the merchandise manager pointed to the very profitable showing of the toilet-goods department and its steady increase in sales. He had recently held a conference with the division merchandise manager whose departments were located chiefly on the first floor, and they had discussed the possibility of expanding this department.

It seemed to the merchandise manager that the essence of successful retailing was the investment of working capital in those lines which gave the largest and most consistent return on capital employed. Because of rapid turnover, insignificant loss on markdowns, and high initial mark-up on exclusive brands, the return on the investment in toilet-goods was very high.

The controller was visibly pleased. At last he had raised an echo to his repeated exhortations to direct the store's efforts and capital into the most profitable channels. He indorsed the idea of expanding the toilet-goods department, explained that there was an abundance of surplus funds available, and urged that the increase be planned in the new merchandise and expense budgets which then were being assembled.

The publicity manager had no objection. His toilet-goods features had been quite successful and he looked forward to having a larger field for the development of this responsive line.

The store manager said he had no objection to expansion of a profitable department if the space for expansion could be found. He called for his maintenance engineer, who presented a plan

of the first floor, showing that every inch of space was being utilized. To this the merchandise manager replied quickly that he had prepared a floor plan which would provide extra space and yet not reduce the area occupied by any of the other departments.

Spreading out the floor plan, he pointed to the space used by the toilet-goods department. It already occupied an important part of the ground floor, but on one side it adjoined the hosiery department, which occupied a long wall counter. On the floor plan, behind this wall counter and between the wall and the outside display window, there was a long, narrow stock room, which was being used for the hosiery reserve stock. This ground-floor space was too valuable for unproductive use. The merchandise manager was sure that the hosiery department was now securing so rapid a stock-turn that it could operate successfully with a much smaller stock room. By moving this stock room and pushing the hosiery counter back against the new wall, an extra aisle counter would be provided for the toilet-goods department.

The store manager and the building engineer signified their approval and the general manager urged all to put the expansion into effect.

The plan was worked into the new merchandise and expense budgets.

For the merchandise budget, the division merchandise manager and buyer had drawn up their estimates of additional sales and extra stock required. They had added an additional exclusive line, and had also expanded several of the leading items which their unit-control summaries had shown were in great demand.

In the expense budget, the buyer and division merchandise manager worked out each section of expense with the proper executive. The advertising manager promptly allotted to them a proportional increase in newspaper and window space. With the store manager, they worked out the expense of changing the layout, the cost of extra sales people, and the redistribution of floor rent.

No sooner planned than done. The maintenance department

worked so quickly and so inconspicuously that before many in the store noticed it, there was an extra aisle counter stocked with an attractive assortment. And yet the hosiery counter, to all except those "in the know," appeared much the same as before the change.

Fourth Case: Sale of Seconds in a Medium-Priced Store.—The buyer of men's sweaters in a large, medium-priced department store, came to his division manager with an unusual purchasing opportunity. On visiting the manufacturer from whom he had been purchasing a large part of his higher-priced sweaters for several years, the buyer had found what he considered a rare bargain. The manufacturer had on hand a large accumulation of sweaters which had not passed inspection. Most of them had been rejected for slight flaws and all were of a style currently popular. These were offered to him at a very low price. Since this was the time for his regular feature sale of sweaters and he was "open-to-buy," the buyer asked whether he could purchase this lot of seconds and stage a sensational bargain sale.

The store had never sold "seconds" or similar bargain merchandise, and the division merchandise manager, in the absence of any definite rule, hesitated to decide. The price of the lot was undoubtedly right, and he believed that the sweaters could be easily sold at a splendid profit. Other stores of the same price range occasionally had special offerings of "seconds."

The merchandise manager decided to lay the matter before the board of managers for a decision on the policy to be pursued. The matter was one that had arisen before and that would come up again. The merchandise manager wanted a definite ruling.

When the question was raised at the meeting, the store manager thought that the sale of "seconds" would lower the dignity of the store to that of a "bargain basement." The appearance of "seconds" would lead customers to suspect many of the other unusual offerings as "seconds." It would scrap the reputation which the store had built as a seller of only first-class merchandise.

The merchandise manager said that the purchase of "seconds," when wisely selected, offered an opportunity to give their customers unusual value. He pointed to the practice of competitors. If his own store policy was to be stated as definitely in favor of a judicious use of "seconds," he felt that it would aid in increasing volume profitably. He claimed that the store was already hard pressed by its competitors, and that to maintain or increase its volume it would have to increase its popular, lower-price appeals. He thought that intelligent limitations would keep the policy within bounds, and that the store's established good-will would not suffer.

When asked for his opinion, the publicity manager assumed no definite attitude in the matter. He appreciated that the attractively priced offering of "seconds" would provide good publicity material. Frequently his comparison office had reported the sale of "seconds" by other stores. The loss of good-will was something he feared, although how much of a loss there would be, he could not estimate.

The general manager took these advisory opinions under consideration. He realized that he had to make this decision not merely as a temporary expedient, but as a matter affecting the permanent status of his store. Bearing this in mind he made his decision.

Fifth Case: Meeting Price Competition on Identical Merchandise.—A customer had purchased a fancy hand-bag for $15 at the leading "better-class" department store in the city. This store carried merchandise of a high-price range and claimed leadership in quality and style. Seldom did it have special sales.

The next day, the customer returned to the saleslady who had helped her select the hand-bag and, somewhat angrily, declared she had found the same hand-bag in a sale at another store, priced at $10.50. The saleslady replied courteously that Mr. Jones, the section service manager, who was standing nearby, should be told of this, and that he would see that her grievance was given

complete consideration. The section service manager listened attentively to the story.

It was the policy of the store that the customer was "always right." The section service man knew that this particular customer was honorable and had an active account. He therefore assured her that the store deeply regretted the incident, that it would be glad either to take the merchandise and credit her account with the full amount or to have her keep the merchandise and credit her account with $4.50. The woman, admitting that the hand-bag was a pretty one, preferred to keep it.

The service manager reported the matter to the comparison office, who immediately sent out a shopper. The report verified the customer's complaint and described in full the special sale which was being held by the competing store. This store was a large popular-price institution which frequently conducted special sales of standard merchandise. The comparison office had not shopped this item because that competitor seldom carried handbags of a quality comparable with their own.

The comparison report was read by the publicity manager, who recommended a mark-down to the division merchandise manager. The mark-down was taken, but not without a protest by the buyer, who complained that it was useless to expect to keep prices in line with the ruthless competition of cheaper stores. How would he be able to maintain his mark-up, if he was forced to meet all competition?

This incident undoubtedly involved a question of permanent policy and it was told by the division merchandise manager to his chief, the merchandise manager. The latter laid before the board of managers the problem of meeting the price competition of the lower-price stores.

The publicity manager said that it was essential that the store, even with its desire for a high initial mark-up, should meet competitive prices on identical merchandise. Their direct competitors were stores in the same price range, he admitted, but they could not afford to overlook the competition of the lower-price stores. Many customers visited both. Wherever possible, his

comparison office would strive to detect such competition and ask the merchandise division to meet it.

The controller lamented the pressure of competition, and pointed out that because of their more extensive service features their mark-up should be higher, and that it was difficult, in the face of their no-sale policy, to meet the competition of other stores' events.

The presentation of the case from these various angles laid two questions of policy before the general manager. One involved the desirability of carrying merchandise identical with that of competitors. The other dealt with the problem of meeting competitive prices. On both of these questions the general manager rendered his decision.

Sixth Case: Consolidated Purchases Not Enthusiastically Sold.—The J. F. Willoughby Co., an Eastern department store with an annual sales volume of $15,000,000, had recently joined a group of similar stores in a coöperative buying association.

The Willoughby Company had developed one of the largest men's departments in its city. Much of its increase had been due to the extraordinary ability of the buyer, who had achieved remarkable results through his uncanny selection of styles and value. When the time came for a new suit, wives sent their husbands to Willoughby's. The buyer had developed a thorough intimacy with the chief market resources. Not only was he a good merchandiser, but he was able to inspire his salespeople with enthusiasm for his selections. As a result of a constantly growing volume at a high percentage of profit, the buyer had won the high esteem of his merchandise superiors and of the general manager.

One of the largest joint purchases of the coöperative association had been based upon a special arrangement with a leading manufacturer of men's suits. The merchandise man of the association and the leading suit buyers of the group selected the manufacturer after careful consideration. On the basis of large

purchasing power, the group closed what they considered an attractive deal.

The joint purchase consisted of two lines of two-trousers suits, one to sell at $35, and the other at $45. The leaders of the association considered each line exceedingly good value at the price, and one which would make merchandising history in each city where an association store was located.

When the purchase was under consideration, the merchandise manager of the Willoughby store was approached by the New York merchandise director of the associations, and asked if he wished to take part of the purchase.

He called the division merchandise manager of the men's departments and the buyer of men's suits into conference and repeated the proposition to them. The division merchandise manager at once was attracted to the plan. Even at the low price, the mark-up was considerably above the average original mark-up in their own successful department. With the additional volume which such an offering would attract, he was sure that the suit department would have its most successful year.

During the first part of the conference the buyer had remained silent. He had known of the plans for the group purchase and because of his established success he had been asked to join the leaders in selecting the manufacturer. Convinced on his own part that joint purchases were unsound in policy, he had refused the invitation to aid in the selection. The two price lines chosen coincided almost exactly with the price range in which he had achieved his greatest success. He felt that no mass purchase could provide the variety and the assortment of styles and colors for which he had acquired a reputation. Notwithstanding the large volume, he did not think that the value of the lines was greater than those he could secure through intimate contact and shrewd bargaining ability.

And looming up behind it all, he saw in joint purchasing a power which would make his own position less important and one which would reduce him from a recognized expert to a mere order giver. With most of the purchases coming through the

association, what further need would the store have of his own services? Surely they would not wish to continue him at his substantial salary.

He could not explain all of this to his merchandise superiors. He did point out, however, that joint purchases had some disadvantages in that the assortment was not adapted to the individual needs of the store's clientele, and that in the rush of large-scale production and the necessity of meeting the low price, the manufacturer was often lax in regard to workmanship. He asked whether the department had not been successful in the past without joint purchases.

But the merchandise and division merchandise managers had been thoroughly "sold" on the idea. It was quite apparent that the value was extraordinary. They did hesitate long enough to call in the publicity manager. In the final analysis, his approval was necessary, for it was essential to have publicity.

The publicity manager was as enthusiastic as the merchandise chiefs. Such a feature would undoubtedly strike a true note in the community, and he promised hearty coöperation. Without knowing that the opposition of the buyer was due to his fear for his own prestige, the merchandise manager reported his approval to the New York office.

When the time for the event arrived, the newspaper spreads were well written, the windows were unusually attractive, large crowds were drawn into the store, but the venture was not a success. At the end of the sale a large portion of the special purchase remained on the racks and had to be closed out at a loss.

A discerning onlooker could easily notice that within the department there was no enthusiasm for the special suits. The buyer no longer worked with the salespeople with the same magnetic vigor. He no longer imparted to them his own confidence in the merchandise. The purchases were undoubtedly an excellent buy, but were being offered without enthusiasm.

The merchandise manager and division merchandise manager were quick to see the true state of affairs. They now understood

that the problem of joint buying was not alone in the value of the purchase, for that was exceptional but in securing enthusiastic salesmanship.

The merchandise director of the group soon approached them with another joint-purchase proposition. He wanted all members to agree to buy fifty per cent of the twenty-five-dollar dresses through the group.

Both the merchandise manager and the general manager, with whom he discussed the matter, appreciated the opportunity for better values. The problem requiring solution concerned the method of insuring enthusiastic selling of a joint purchase.

The problem became a special and important task of the general manager and the merchandise manager.

PART IV

THE FIELD STUDY

Part IV describes the method used in the field study, the analysis of existing organizations, and the operating procedure of the stores included in the survey.

CHAPTER XVI

SURVEY METHOD

The field study on which this attempt to formulate organization principles is based had the advantage of the coöperation of thirteen progressive stores of different types. There were represented New England, the Middle Atlantic District, the district south of the Mason-Dixon line, the Middle West, and the gateway to the West.

There were stores in the great metropolitan center, New York, in several of the next ranking cities, in a residential suburb of a large city, in the hub of an independent manufacturing district, and in a rural community.

The ranged in volume from less than a million to many millions.

There were included large department stores, several great departmentized specialty shops, a small specialty shop, a neighborhood store, and a rural general store.

There were included stores which aspired to the leadership of quality high-price shops; there were those which depended almost entirely on bargain appeals and cheap merchandise; there were others that carried medium-price merchandise.

Among the thirteen stores were members of three coöperative organizations, two large chains, and two smaller chains, and several independent stores.

The background for the study was a broad one. The method followed was far more than a compilation and comparison of framed organization charts. Essentially it was a job study—a detailed analysis of every step in the retail process. Starting with the fundamental premise that the ideal organization was that one best suited to carry out the job to be performed,

the first step was to determine the exact nature of the job of a department store.

In each store the investigators started at the beginning of the entire store process.

Their first question was, "Where does the retail process begin?" And the answer was, "With planning." In planning, then, of both merchandise and expense, the investigators started by following the budgets through their succeeding steps. The process then followed the use of these plans in control and operation. Merchandise control was traced from the central merchandise offices, through the buyers, into the actual selection of merchandise.

This brought the investigators to the point where the merchandise came from the vender to the receiving room. Here the thread of operation was again taken up and followed through the receiving and marking process, through the paper work of invoices and merchandise records, through the machinery for securing personnel, employment training, welfare, and wage determination.

The need for supplies directed attention to requisitions, supply rooms, and purchasing.

The care of the store involved a study of the maintenance of building, fixtures, and equipment.

With the building fully equipped, with merchandise in the departments, and the personnel stationed at their posts, the investigators approached the point of actual sales. But customers must first be brought into the store. This led to an analysis of the stream of publicity—the plans, the schedules, the preparation of copy, check of proofs, window display, comparison shopping, and all the supplementary publicity activities. The printed word and the decorated window are not the only means of attracting customers. Complete service and courteous treatment attract customers. This led to a study of service bureaus, equipment, and all efforts to accommodate customers.

After the customers are attracted to the merchandise selected by the buying staff, the sales people are able to close sales.

Much remains to be done after sales are made. Packages must be wrapped for delivery, checked, distributed according to routes, and transported to the customer; sales checks must be audited, totalled, and entered in the records; customer complaints and returns of merchandise must be satisfied. Then comes the process of bookkeeping and accounting, the check on C. O. D. sales, the billing of charges, sales and returns, the credit functions of opening new accounts, authorizing charge sales, the collection of slow accounts, the tabulation of statistics, general bookkeeping, computation of inventory, and the final accounting of the results of operation in the operating statement and the balance sheet. Each step was followed closely.

Every phase of operation branching from the main line was followed through until its end or junction point with some other part of the process was found. If in the flow of operation some subsidiary process joined the main stream from an unknown beginning, it was traced back to its origin.

Wherever the process was not clear, the steps were retraced. The owners and executives of every store were of the greatest assistance, explaining not only the actual steps that were carried out, but the reasons and the basis for each step, and its relation to the rest of the process. In many cases the investigators secured their information by taking part in the actual operation, by being participants in the regular routine.

The investigators recorded the detailed process, listing every individual operation in each store. For every step in each store they recorded the member of the organization who carried out the step and the basis upon which it was performed.

This gave a living picture of the organization. By showing what each member of the organization does, the actual relationship of each agency to the others became apparent.

Then the investigators supplemented their knowledge of the process by a study of the lines of organization as they appeared on the organization chart. The organization chart could be studied more clearly, for the interaction of each department had

already been determined. The organization chart, instead of being lifeless and of little meaning, was real and significant.

All these processes were compared and analyzed. Since all were recorded on the same pattern, it became evident which steps were taken by some stores and not by others.

Analysis of Organization.—Many forms of organization were encountered.

There are two example of stores in which the entire organization hinged on one man. Everything centers in this one executive. All the functions of operation are carried out by a host of minor executives, each one reporting directly to the chief. Often the chief takes part in the details of minor operations.

Occasionally minor divisions assume major importance, because they are under a man who has forged upward to a place in the higher councils and who has brought his division along with him. Such is the explanation given to the coördinate position of display in one or two of the stores, of credit in another, and of real estate in still another.

One store has but two major divisions—one for merchandise and service, the other for control. Three stores have three leading divisions: merchandise, including publicity as an integral part, service and control; three have four divisions with merchandise and publicity separated; two have five divisions with publicity divided into advertising and display; two have six divisions with credit added to the previous five divisions; each of the two one-man organizations has more than ten divisions reporting directly to the general manager.

At the top of the organization there is further evidence of variation. Some stores have a chief executive directing the activities of subordinate divisions and taking a direct part in no one division; some have a chief executive who, in addition to the functions of general supervision, assumes the direction of one particular phase, usually merchandise; one has two partners acting jointly as chief executives; one has a general manager over

whom there are three owners who have divided the operating divisions between them.

Though the four major divisions are found in only three stores, it will be convenient to arrange our discussion into four groups: merchandise, publicity, control, and store management.

Merchandise Division.—In many of the stores the merchandise division predominates. This is undoubtedly true of the relationship between merchandise and publicity. In five of the thirteen stores, publicity is frankly given a place subordinate to merchandise. In eight stores in which merchandise and publicity are supposedly coördinate in rank, the publicity division is really inferior to the merchandise. In studying the situation in each store to find the relative situation of these two divisions, the functions of each were followed. When the publicity division merely acts as copy writer to put the ideas of the merchandise division into print, publicity is clearly subordinate. When the publicity division has the power to censor merchandise to be advertised, to select, and even to initiate suggestions of its own, it is accepted as coördinate in rank.

The internal organizations of the merchandise division present several arrangements. Two of the stores have a single merchandise manager over the buyers, with no division merchandise managers in between; seven stores have several merchandise managers, each over a group of buyers, but no general merchandise manager; three have general merchandise managers and division merchandise managers.

One store has a complete arrangement—a thorough merchandise hierarchy: at the head is an officer over the merchandise division who also supervises publicity; reporting to him are three merchandise managers, one directing the ladies' apparel and accessories, another in charge of the men's store, and a third in control of the bargain basement. Each of these merchandise managers supervises several divisional merchandise managers, each of whom in turn has jurisdiction over a group of buyers.

In no less than five of these stores either the general manager or the owner is prominent in the operation of the merchandise division, and in some he holds the title of merchandise manager.

Publicity Division.—The general plan of publicity and especially its relation to merchandise has already been touched upon.

Department store publicity has two main phases—newspaper advertising and window display. In nine of the stores display was parallel to and, to a great extent, independent of advertising. The display manager goes his own way, sometimes cooperating with the advertising manager, at other times remaining quite aloof.

In three stores the display manager is considered an artist, and it is thought best to leave him to himself to work out his creations without intervention. One store has the display department independent financially as well as in organization, for the display manager defrays the expense of his department by the sale of antique furniture which forms part of his background.

Most of the stores have many subsidiary publicity activities which are usually assigned to the advertising office. Of these, mail-order advertising is the most important. The usual arrangement is to carry out mail-order publicity through an assistant in the advertising office. One store has grouped the administration of mail-order business, branch shops, and sales in a separate department under publicity.

The comparison or shopping office in three stores reports to the merchandise manager; in two, directly to the chief executive; in one, to the publicity manager; and in four to no one in particular. Three stores have no shopping office.

Controller's Division.—To the control division in all the stores there is assigned all the recording, accounting, and clerical functions. All stock records, invoices, ledgers, auditing, balance sheets, statistics, are looked upon as the special duties of the controller. He keeps all financial records. In budgeting and

control his office issues the summaries of past performance and the periodic reports.

In a few stores the controller's division is given some further responsibilities beyond these recording functions. It is made an important part of management. It is prominent in the determination of financial policies. It goes beyond the mere compilation and preparation of statistics, and undertakes both analysis and interpretation. It aids in merchandise planning and in merchandise control. It assists in expense control.

Though expense control is closely allied with the controller's responsibility for the maintenance of net profit, the actual mechanics of control are decentralized in most stores and scattered among those divisions which incur the expense. Since the bulk of expense is incurred by the service division, the responsibility for the maintenance of service and for the reduction of expense is often lodged in the same office. The most complete budget and follow-up system encountered in our study was worked out under the jurisdiction of the store manager.

In three stores the credit functions are carried out, not by the controller, but by a separate credit division, coördinate in rank with the other divisions. All the other ten stores have the credit functions under the controller.

Though the physical steps in receiving and marking of merchandise in most stores are under the store manager, two stores have the supervision of these departments under the controller, and still another has the direction of receiving, marking, stock rooms, and warehousing under a traffic manager who reports to both the controller and the store manager. Many stores have a branch of the controller's office located in the receiving room to be close to the actual handling of the merchandise for which they keep the records.

The procedure of inventory-taking in most stores is the responsibility of the controller. To aid in counting and in recording the count, he usually enlists the services of the entire store organization. A few stores are without this centralization of inventory supervision. One store, on the other hand, has

the entire inventory count taken in sections by a special inventory crew under the controller.

Store Management.—The store management, or service division as it is often called, reminds one of that last classification in so many statistical tables—"Miscellaneous." It seems as if all the jobs which are not taken care of by some other division are wrapped up in the general terms—"store management." There are almost twoscore individual functions which are found grouped under the store manager.

Here and there the store manager is a prominent member of management. In most stores, however, he does not take any leading part in the determination of general policies. He is important, but important in operating rather than in guiding.

In a few of the stores, some of the functions in this miscellaneous group are separate from the store manager and are under executives reporting directly to the general manager. This is true in the one-man organizations.

In the majority of the stores, the store manager's functions are grouped into four organization subdivisions: 1, personnel; 2, service; 3, maintenance; and 4, operating and transportation.

In many of the stores, the store manager personally directs a large share of these activities. In the larger stores, the store manager delegates most of the actual work to subordinates, devoting his own time to general supervision and coördination.

In personnel the varying emphasis on training is outstanding. In only few of the organizations does the educational department occupy an important place, parallel with employment. Generally all educational work is carried out by a subordinate under the employment manager.

In twelve out of fourteen stores the sales people are primarily under the buyer. Service managers, or section managers, floor superintendents, aisle managers—whatever they may be called—are found in all stores. Their activities are restricted, however, to answering questions, authorizing certain types of sales, and receiving merchandise for exchange or refund. Only in

two stores do these representatives of the store manager assume responsibility for the sales people, for decisions on employment, wage adjustment, transfer, or discharge.

All the maintenance functions are generally under a building superintendent, though in some stores there are several mechanical executives reporting to the store manager, such as chief electrician, chief engineer, chief carpenter.

In most of the stores the mechanical functions in receiving and marking are under the store manager. Four stores do not have complete centralization of receiving and marking, but of the nine that have centralized the function, six have the mechanical procedure under the store manager, two under the controller, and one under a traffic department which reports to both the store manager and the controller.

Purchasing is centralized under the store manager in most stores. In a few some of the supplies are bought by each of several executives. In one smaller store two executives order supplies, one often duplicating the work of the other.

Generally protection is under the store manager. In one store it is placed directly under the general manager.

CHAPTER XVII

ANALYSIS OF THE JOB

Upon the basis of an analysis of the processes of the thirteen stores studied, it is possible to make some interesting comparisons. The analysis of these processes shows those steps that are carried out in all the stores—the bare essentials of retailing. It shows those steps which are carried out in most but not all stores—the common practice of retailing. It shows those steps which are carried out in few or even single stores—the individual ideas in retailing.

Some sections of retail operation are practically identical in all of the stores. All these processes seem to have been cut from one pattern, so striking is the similarity. This is true of the auditing routine and the delivery process. From the uniformity one would believe that executives have borrowed freely from one another in these operations.

There are other phases of the process which are the same in no two stores. Among them are the processes of planning and control of merchandise and expense. In these there is little evidence of collaboration; it seems as if each store has developed its own method in seclusion, with little attention to what other retailers are doing.

Present Functions in Merchandise Operation.—The merchandise process is one in which the individual characteristics of a store's organization are clearly shown. Therefore we find that there is conspicuously less standardization in the merchandise function than in many of the accounting and mechanical functions.

Budgeting.—This variation is most conspicuous at the very start of the merchandise process—in planning. Merchandise

planning or budgeting is a new development in store operation, and some of the stores have undertaken it more intensively than others. The need for planning has arisen from a desire to anticipate more accurately the merchandise requirements of a store. It is an attempt to anticipate what may happen. It involves forecasting of sales, stocks, purchases, mark-up and mark-down percentages.

Although merchandise planning is found in all but one store in our study, its extent and form vary greatly. Four of the stores have a complete, detailed merchandise budget. These stores plan the probable merchandise developments for each month of a six months' period; they estimate monthly sales and stocks on hand at the end of each month. From these two figures they arrive at what purchases they anticipate making during each month. Some stores include an estimate of the expected mark-up and mark-downs for each month.

In eight stores planning is in the elementary stage. To many of the buyers it is a new and strange field. Many consider detailed figuring in advance a waste of time and the invention of academic, impractical minds. The plans in these stores are mainly the work of the higher merchandise executives, and consisted chiefly of estimates of monthly sales, of the stock to be on hand at the end of the season, and purchases for the whole season.

Planning is only the first step in merchandise operation. As the season advances, two additional phases of merchandise operation develop. One is the control and supervision over department operation, and the other is the actual buying for the department.

Merchandise Control.—Merchandise control ranges from a scrutinizing watch over each department and a rigid determination of purchase allowances, to a mere formal approval of orders from buyers who operate independently. In some of the stores in the study, the merchandise managers and division merchandise managers dominate the buyers who operate their departments subject to constant supervision. In others the

buyer is supreme and there exists no regular check on his operation. The degree of independence of the individual department varies not only between stores, but also in the same stores, depending on the confidence in the department buyer.

Steps in Merchandise Control.—All of the stores with but one exception, have a periodic merchandise report as an instrument of control. This report is a news bulletin on merchandise performance. In most stores it gives complete information on the operation of each department—sales, stocks, receipts, mark-up and mark-down percentages, and orders outstanding. In addition to current figures most of the stores include the planned figures from the budget and figures from past reports.

Though all but one of the stores compile such reports, only four give evidence of using them intensively in actual control.

In these stores control is centralized. It starts with a revision of the budget on the basis of current changes in conditions. An "open-to-buy" allowance is maintained which limits the amount which each department has available for additional purchases.

Control is achieved by keeping purchases within this allowance. The opportunity to check purchases comes when the orders are presented for confirmation to the merchandise manager. Though this confirmation is required in all stores, it is only a few stores that make it the occasion for checking purchases against the "open-to-buy" figure. But even in these strictly controlled stores, the "open-to-buy" allowance is not inflexible. If a buyer should come across an unusual merchandise opportunity, his request for appropriation beyond his purchase allowance may be favorably considered.

Merchandise control is not limited to figure checking, but includes personal supervision over the merchandise activities in each department. The merchandise manager and the division merchandise managers in those stores which have strong central control work closely with the buyer. They discuss his problems and help him to work out a solution. They search for ways to

increase his sales, to maintain his mark-up, to speed up his stock-turn, and to clean out slow-moving merchandise. In two stores there are special departments to check on slow-moving merchandise, to seek out the slow items, and evolve methods to clean them out.

In sharp contrast to this highly developed control in a few stores is the marked decentralization in the majority. The periodic merchandise reports are received by the leading executives of the store, but are often subject only to a casual examination.

The buyers, in some of these stores, brook little interference. Many have been in the store for a long time and are eminently successful. In one specific case two buyers merchandise the coat and suit departments together, coöperating as if they were two partners in a little shop, and they show such a keen sense of merchandising that no executive in the store would think of supervising them.

Selection of Merchandise and Buying.—In all of the stores studied, most of the actual selection of merchandise and the determination of the price lines rest with the buyer.

Some of the stores have supplementary aids and checks to the selection of merchandise.

Unit Control.—Six stores in the group have some form of piece-record system or unit control in varying stages of development. Few have a complete plan of unit control, with prompt accurate recording and frequent summaries and recapitulations.

Some of the systems are crudely devised and are the result of evolution rather than of conscious development. These piece records provide the merchandise executives with information on sales by units—the number in each price line, style and size. This enables the buyer and his merchandise manager to know which lines are moving and which are slow. They also give information on the detailed make-up of the stock on hand. One store takes a weekly inventory in ready-to-wear departments to provide the same information.

Call-Slip System.—Another device used to aid in the selection of units is the call-slip system. In a few of the stores the customers' requests which cannot be filled from stock are recorded by the sales people on call or want slips. These slips are collected and tabulated and the results are used to show what customers are calling for, and to disclose any essential items that may be out of stock.

A description of the most complete call-slip system encountered gives an interesting insight into the interaction of different parts of the organization. When a call comes for an item which is not in stock, the sales person fills out a want slip. These slips are inserted into a machine, and after being filled out they drop into a locked container. At the end of each day they are collected by the comparison office, which reports to the general merchandise manager. A member of this office has as his sole duty the analysis of these call slips. The wants are classified by items, and to each buyer is sent a list of the number of calls for each item. The buyer is required to fill in the reason why the article is not in stock. A record of this list, with the number of calls and the reason, is sent to the general merchandise manager, the division merchandise manager, and the buyer. To see that the sales people faithfully record unfilled calls for merchandise, the comparison office tabulates slips according to sales people (the number of the sales person is on each slip) and the record of each sales person is given to the floor superintendent to follow up.

Comparison Office Shopping.—Reports of the comparison office are used in a few stores as an aid in the selection of merchandise. The shoppers in these stores not only shop their own advertisements to check their accuracy, but also shop the advertisements of competing stores. In this way they may uncover some features which competitors carry and which their own store does not. These suggestions may have a real bearing on the buyer's selection of merchandise.

In some stores the comparison office is given even greater responsibilities. When a department is making a poor show-

ing, the comparison office is asked to shop the same department in other stores and to make a complete report. Price lines, assortments, and even display are compared. From this report definite merchandising measures can be taken to improve the showing of the departments.

Only two of the stores make periodic checks on the merchandise departments to see that they maintain a full line of basic or staple stocks.

Present Functions in Expense Budgeting.—Although merchandise budgeting and control are fairly well developed in many stores, expense budgeting is still in its infancy.

Of the thirteen stores in our study, only two have complete and effective budgets. Six have a rough estimate of total expense, chiefly to aid in financial arrangements and not for use in expense control. Four stores have budgets for advertising and selling expense, but have not complete centralized store budgets. One store is without any budget.

In the two stores which have complete budgets, estimates are first prepared for each division. These estimates are then gathered together, revised, and built up to a total store budget.

Present Functions in Expense Control.—Expense control exists in a department store whenever an effort is made to cut down the cost of doing business. Though a budget is of great help, a store can have expense control without a budget. And where a complete budget does exist, it must be followed by an effective routine of control.

The general picture of expense control in the stores studied shows for the most part decentralization and lack of uniformity. Most stores recognize the fact that high expense trespasses on net profit, but few of them have an accurate and systematic check on expenditure.

All stores, however, have the first step in expense control—a statistical report showing the actual expense incurred in operation. In some stores these reports are more complete and more useful than in others. Many give past figures for comparison.

Some stores arrange these statistics by expense accounts, others by selling departments, while a few prepare the figures in both ways.

These reports are the main instruments of expense control in most of the stores. They are studied by higher officials, and wherever a bad spot appears an investigation is initiated. In addition to the control from above, the reports are used as a barometer of expense performances by department heads.

In addition to investigation after studying expense reports, there are numerous points in store operation where expense control is exercised. Whenever an executive passes on an item of expense, there is an occasion for control. If it is a buyer or service manager who is considering making a request for additonal employees or supplies; if it is the employment office which takes up such a request for help and checks it with the department record; if it is the supply man who keeps a total of the supplies sent to each department; if it is the store manager checking a pay-roll list with the previous one or the list of a year before; if it is a general manager who O.K.'s orders or bills for supplies or equipment—in each of these occasions there is an opportunity for expense control.

Again, only two stores have a standardized routine instead of a "save as save can" condition. These are the same stores which have a complete budgeting process. The vital feature of the control is a central check on expense performance before commitment rather than a post-mortem study of statistics after expenditure. This check is obtained through a system of requisitions for all items of expense. By checking these requisitions with the budget, actual operations are kept in line with the plan.

One store has this check on all requisitions with the exception of newspaper advertising. The other store has a central check only on those items beyond the planned allowance in the budget.

Both of these keep the budget currently revised in line with sales and profit performance. In this way the budget is made an actual factor in control.

In addition to checking by requisition, in these two stores the expense office also analyzes expense reports and suggests methods of lowering expenses.

Functions in Receiving and Marking.—Nine of the stores have centralized all receiving and marking. In these stores there is a special space carefully fenced off in which all packages are received and counted. Goods are counted by the receivers, marked, and then sent to the merchandising departments. This plan is a decided advance over that of having goods counted in individual departments and spread where the merchandise may be lost or stolen, and inaccurate records kept. Such a decentralized method of receiving was discovered in four stores.

Because of the importance of the controller in relation to the maintenance of the receiving records, some of the stores have a branch of his office located near the place at which the merchandise is received. The maze of paper work which centers about the invoice is generally the same in all stores, with two exceptions. Not all of the stores compare the invoice with the buyer's order as well as with the merchandise; not all maintain a running balance of the amount of orders outstanding for each department, currently deducting receipts from the previous amount on order.

An oft-debated question in receiving centers is the blind check. The use of the blind check requires the counting of the merchandise without seeing the invoice, the listing of the count on a receiving record, and then the comparing of this record with the invoice by other clerks.

A complete blind check is employed in only one of the stores. All the other stores have the checker count with the invoice in his hand, comparing each batch of merchandise with the quantity charged.

It is claimed by its proponents that greater accuracy is obtained through the use of the blind check, inasmuch as the checker who checks against the invoice is likely to do so carelessly, assuming that the invoice is correct.

The opponents of the blind check argue that it is too much

trouble; that whatever increase in accuracy may be assured is offset by the greater expense involved. They also point to the difficulties involved in checking without any idea of what is coming.

Few stores have completely centralized marking or require authorization for all marking, both on original receipt of the merchandise and on subsequent changes in price. Particularly in the remarking of merchandise for mark-downs is there danger under decentralized marking of errors creeping into the merchandise records. Failure to record mark-downs is the reason for a large part of book shortages.

Only a few of the stores maintain an effective centralized follow-up of goods returned to manufacturers to insure prompt attention or credit.

In one of the larger stores having a large volume of imports a separate receiving room is used for foreign merchandise. This is chiefly because of the complexity of the invoices and because the receipt of merchandise for several departments in one container necessitates very careful checking.

Personnel Functions.—The basic personnel functions are the same in all stores. All stores have employees, all stores must employ, and, unfortunately, all stores must sometimes discharge. Similarly, all stores must devise wage plans for the compensation of their employees.

Some stores have developed these functions more completely than others. The training of personnel varies all the way from a mere greeting with a few passing words of instruction, to a conscious effort to raise the standard of operation in every phase of the process. In most of the stores training is insignificant and exists only in name. New sales people are given little besides a description of the sales check and the system involved in making sales.

Other stores have classes for salesmanship and textile instruction, and training groups for potential executives.

Employment is centralized in practically all of the stores.

Important executives, however, are in most cases selected by the general manager.

Most of the stores have some association or benefit society, and medical attendants. A few have credit-and-loan organizations, hospitals and clinics, employees' restaurants and recreation rooms, store newspapers, and even employees' camps and vacation facilities.

Supply Functions.—The main functions of supply purchasing are common to every store. Some stores have a more thorough check on expense by a study of requisitions and a comparison with the budget.

Maintenance.—The maintenance job is practically identical in all stores.

Publicity.—The aim of publicity is the same in all stores —to bring customers into the store—but the process varies greatly.

It would be inaccurate to say of any store that it did not plan its publicity. There is always some plan, even if it is only a series of notes on the back of an envelope in the advertising manager's pocket; or perhaps nothing more than a mental picture of a program to be followed. However, some stores have a thorough and definite system of planning publicity.

First comes the planning of publicity expense—a process already discussed in the story of expense budgeting—the coöperation between publicity and controller to make a dollar do the most work. Not all stores plan their publicity expense, but some of those that have no definite total store budget do have a conference or two for the purpose of planning publicity expense.

Then comes the process of determining what to advertise. A complete scheme starts with a program of merchandise features. From this program definite plans are drawn, based on those items which will be given newspaper and window space. Some plans include complete programs for an entire month, or, in the case of selected staple features, an entire season in advance.

These advertising plans are not rigid in that they are changed

frequently as an item is added or dropped or substitutions are made. All of the stores arrange a schedule for periods of a week or more assigning to each feature definite space and time. The details of this advertising routine must necessarily vary with the size of the town and the type of media used.

The procedure of preparing the copy is essentially the same in all stores. It is in the checking of the advertisements that some stores are more thorough than others. All have the buyer sign the proof. Some have the comparison office check each advertisement to see that the prices are in line with those of competitors and that merchandise statements are accurate. A few stores allow the publicity division to be final censor of what shall be advertised.

The shopping function has been expanded in a few stores to serve as more than a check on the store's own advertisements. It is used to keep a constant check on the store's competitive standing as seen by the customer. The shoppers in such stores follow up competitors' advertisements and compare the items with the merchandise offered in their own store.

They even go further and make complete reports on the comparative standing of individual departments and the same departments in other stores.

Some stores continue the advertising function beyond the appearance of the advertisement. A check is made to verify that every advertisement is on display in the department and signed by each of the sales people. Tests are made to see that the sales people know all of the features of the advertisement.

In one store a complete report is made of the results of every advertisement, and of the direct sales of the item advertised, as well as of the total sales for the department.

In some stores the mail-order department is a vital part of the merchandising program—a definite effort to reach a distant group of consumers in outlying districts; in other stores mail circulars are used merely as a supplement to newspaper advertising.

Newspaper advertising and window display are the main instruments of publicity, but there has grown up a large number

of supplementary methods. These include miscellaneous catalogues, folders, periodical and rotogravure advertisements, street-car cards, style shows, lectures and exhibits, general press releases, and special stunts.

Personal Service.—The extent to which the stores offer personal service varies greatly. Some feel that they have gone as far as they should when they fill mail and telephone orders; others have service bureaus which do everything from selling postage stamps to picking out a man's birthday gift for his fiancée. Of course the price range and the class of consumers to which the store is appealing determine usually the extent of personal service.

It is worthy of note, however, that the one store which offered the greatest amount of personal service was not the highest-priced store. This store offered an extensive list of service features: information booths, shopping bureaus, a large waiting room which has become the popular meeting place for the whole town, a telegraph office, telephone booths, a branch post office, a travel bureau, a bureau for the purchase of tickets of all kinds; one to give advice on design, color, etiquette of dress, and budgets. In addition to these, some stores provide parking facilities for those customers who come to shop by automobile.

Outside Sales.—Some of the stores extend beyond their regular merchandise departments in search of additional volume. One large specialty shop has several branch shops at the leading resorts and at well-known girls' colleges. Then there are the wholesale departments which sell to camps, clubs, hotels, railroads, and steamship companies.

A few of the stores lease departments to outside operators. Many of the stores have departments in which they sell service rather than merchandise. Such departments include barber shops, hairdressing and manicuring shops, shoe-shining parlors, shoe repair shops, restaurants or cafeterias, jewelry-repair departments, cleaning departments, dress pattern, and interior decorating departments.

Functions After Sale.—The processes of auditing, accounting, and delivery are quite similar in all of the stores.

The form of sales slip differs slightly, but it seems as if there is little individuality in accounting processes. Accountants prefer to adopt one method rather than to be distinctive in their process. In the smallest store of our study the controller did not think it necessary to total the sales for each clerk, but accepted their own total from the tally. All the larger stores check each sales slip back to the tally.

Another short cut adopted in some of the smaller stores is the spot check. Instead of checking each sales slip, each credit slip, each invoice, they tried a few here and there, at irregular intervals. One week the controller would have a check made of all the sales and slips in one department. It is claimed that spot checking accomplishes the same results as a complete check at a lower cost. It holds the possibility of a check over employees at all times. The larger stores have a complete check in all their accounting functions.

Variations in delivery are found only in details. A few stores use the stub system of keeping record of deliveries, while most adopt the sheet-writing plan. Some of the stores require that all valuable packages be listed on a special sheet, so that extra attention can be given to them and a signature secured for each package so designated. Otherwise the functions are much the same.

In the taking of mark-downs some important differences are evident. Many stores do not require authorization by the central office for mark-downs. In these stores the buyers are relatively independent and there is little merchandise control. In the centralized stores the approval of one or more superior executives is required. In some stores there is complete centralization of both marking and remarking; others often allow the buyer to blue pencil his own tickets.

Inventory.—Inventory taking is more thorough in some stores than in others. Practically all of the stores have adopted the retail method of inventory and take the count at retail, but a few

still use the cost method. One of the largest stores takes its inventory at both cost and retail.

A few of the stores give special attention to the investigation of stock shortages. They try to fathom the reason for the discrepancies, to separate book errors from actual dishonesty, and to stop the leaks at their source.

CHAPTER XVIII

COMPLETE LIST OF OPERATING STEPS DISCOVERED BY SURVEY OF THIRTEEN STORES

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Merchandise Planning: Assembling as basis of plan past figures of— Sales Stocks Purchases Mark-ups Mark-downs Stock-turn	12 4 have complete planning 8 less complete planning	Statistics office under controller
Making of original plans by merchandise departments and in some stores by detailed merchandise divisions	12	5—Buyer 4—Buyer and mdse. mgr. 3—Controller
Independent merchandise planning from a financial viewpoint	3	2—Controller 1—Gen. mgr.
Revising department plans and establishing total plan for whole store—reconciliation of financial and merchandise points of view	10	3—Executive staff 3—Controller and mdse. mgr. 4—Mdse. mgr. and buyers

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Expense Planning:		
Assembling of records of expense by classifications and in total	2 have complete budget 6 have rough estimate	Statistical under controller.
Assembling records of expense distributed to each merchandise department	4 have budget for advertising and selling.	
Estimating expense for divisions	6	Division heads 1—General manager 1—Board of managers
Estimating expenses for each merchandise department	3	
Independent estimate of expenses for store from financial viewpoint	3	Controller
Reviewing and revising estimates into total store budget	5	2—General manager 2—Board of mgrs. 1—Expense office under store manager.
Checking planned expense of merchandise departments with planned gross margin of merchandise plans	1	Expense office under store manager
Approving budget	3	Board of managers

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Merchandise Control:		
Issuing report of current merchandise performance. Monthly, weekly, or daily reporting for current and past periods including:	12 Complete reports in most stores	Statistical under controller
Sales Stocks Mark-ups Mark-downs Orders Open-to-buy allowance	4	
Using reports in control over merchandising in the departments	4 stores have centralized control 8 have less centralization	Most of control is under mdse. mgrs. Some under controller
Revising plans currently	3	Mdse. mgr. Controller's statistical office
Controlling purchases by open-to-buy figures	4	Mdse. mgr. and controller
Speeding up stock-turn	12	Mdse. mgr. and div. mdse. mgr.
Controlling mark-downs	5	Mdse. mgr. and div. mdse. mgr.
Cleaning out slow-moving merchandise	12	Mdse. mgr. and div. mdse. mgr.

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Maintaining mark-up	12	Mdse. mgr. and div. mdse. mgr.
Speeding up sales	12	Mdse. mgr. and div. mdse. mgr.
Watching receipts and outstanding orders		Mdse. mgr. and div. mdse. mgr.
Watching piece records of daily sales	3	Mdse. mgr. and div. mdse. mgr.
Operating perpetual inventory by pieces as guide for buying	6	3—Mdse. division 3—Controller
Recording customers' unfilled calls	4	Sales people
Reporting customers' unfilled calls	4	Comparison office Mdse. office
Checking basic stock requirements		Comparison office
Checking a department's merchandise by shopping of other stores	5	Comparison office
Using reports and records in buying for departments	All	
Determining amount of stock in department	All	Buyers

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Determining kinds of merchandise	All	Merchandise mgr. and Buyers
Determining retail price at time of ordering	6	Buyer and Div. Mdse. Mgr.
Discussing buying plans or making of detailed buying plan	5	Buyer and mdse. mgr.
Approving of orders for merchandise	All	Mdse. manager.
Following up of orders regular and special	All	Buyer Also N. Y. Office
Expense Control:		
Issuing reports on actual expense incurred—classified in some stores by expense classifications, in other stores by merchandise departments	All	Statistical under controller
Using reports in control of expense	All	6—By controller
Revising of budget on basis of current performance		3—General manager In others by all div. heads.
Checking expense by comparison with other stores and with budget	2	Central expense office
Checking expense distributed to each merchandise department	2	Central expense office

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Using reports in guiding expenditures	All	Department heads Division heads
Approving application for expenditure beyond budget	2	1—Expense office and store manager 1—Controller
Controlling expense by passing on requisitions before expenditure:	2	Central expense office
Passing on requisition for supplies—		Purchasing agent
for employees		Employment department and store mgr.
for equipment		Store mgr. and gen. mgr.
Checking of requisitions in central control of expense		1—Expense office under store mgr. 1—Controller
Classification of expense for distribution	All	Controller
Checking pay-roll expense	6	Store mgr. Gen. mgr. 2—Service mgr. under store mgr.

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Receiving and Merchandise Handling:		
Routing of merchandise shipments		
Receiving merchandise and opening boxes	All	Receiving room clerks
Comparing invoice and order	8	Controller's office
Comparing merchandise with invoice	All	4—By each buyer 6—Rec. room under store mgr. 2—Rec. room under controller 1—Rec. room under both
Blind check	1 store has complete blind check	Receiving room
Inspecting merchandise, approving invoice and setting retail price	All	Buyer
Marking merchandise	All	4—Decentralized 6—Marking room under store mgr. 2—Marking room under controller 1—Marking room under both
Loading bill for required discount		Controller's office

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Entering of merchandise into records—		
into merchandise records	All	Controller
into perpetual inventory by pieces	6	3—Mdse. div. 3—Controller
into records of balance outstanding on order		Controller
Passing of bill for payment and payment of bill	All	Accounts payable office under controller
Taking of merchandise to reserve stock room or selling floor	All	Stock people
Inspection of merchandise in department and incidental repairing and sewing	All	Usually sales people
Return of goods to manufacturer for credit or repair: Decision to return	All	Buyer
Authorization of return	7	Mdse. mgr.
Looking up of manufacturer's credit	3	Controller
Deduction from merchandise records	All	Controller's office

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Shipping of merchandise on return to manufacturer		Shipping under store mgr.
Following up merchandise returned to manufacturer to insure prompt attention or credit	3	Controller
Transfer of goods between departments	All	
Approval of transfer		Mdse. mgr.
Entering transfer into records	All	Controller's office
Foreign:		
Below is given division of functions for one store which had developed importing furthest		
Receiving of foreign merchandise		Separate receiving room under store mgr.
Customs and computations of landed cost of imports		Controller
Purchasing of foreign merchandise		Purchasing through mdse. div. and co-operative buying association

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Personnel:		
Determining the number of people needed in selling departments	All	Store mgr. Employment dept. Buyer
Determining the number of people needed in non-selling departments	All	Store mgr. Employment dept. Division heads
Asking for additional employees for selling departments	All	Buyer and floor supt.
Asking for additional employees for non-selling departments	All	Dept. head
Approving request or requisition for additional employees in selling departments	All	Store mgr. Employment and division head
Approving request or requisition for additional employees in non-selling departments	All	Employment, store mgr., and division head
Checking of requisitions with budget for expense control	4	2—Store mgr. with personnel budget 1—Expense control under store mgr. 1—Controller
Hiring or transferring employees	All	Employment
Initial training	All	Training department

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Regular training—salesmanship, etc.	4	Training department
Providing training for potential executives	3	Training department
Shopping sales force	3	Comparison office Outside service
Maintaining personnel records	8	Employment department
Recommending dismissal	All	Dept. heads
Carrying out dismissal	All	Employment Store manager
Employees' welfare association, credit and loan facilities		Usually under personnel, under store mgr. or directly under employees
Medical and dental attention Insurance or compulsory saving Benefit insurance Employees' rest rooms Employees' restaurant Employees' newspaper		

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Payroll:		
Determining original rate of pay	All	Employment mgr. Store mgr.
Checking attendance of employees	All	Time desk under store mgr.
Recommending increase in pay	All	Dept. heads
Checking increases with budget as expense control	4	Store mgrs. Controller
Passing on increase	All	Store mgr. Head of div.
Setting quotas and commissions		Store mgrs. Controller
Computing payroll	All	Payroll under controller
Paying wages	All	2—Separate cash dept. under controller
Examining payroll reports as checks on personnel expense	6	Store mgr. Gen. mgr. Controller Employment mgr.

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Supplies:		
Requesting or requisitioning supplies and fixtures for departments	All	Dept. heads
Passing on requests or requisitions		Purchasing agent or supply head under store mgr.
Checking requisitions with budget for expense control	3	1—Expense control 2—Controller
Passing on large expenditures for fixtures or equipment	All	Store mgr. Gen Mgr.
Purchasing of supplies and fixtures	All	Purchasing agent under store mgr.
Receiving and checking supplies with invoices and order	All	Supply receiving room or mdse. receiving room
Examining supply expense records and bills		Controller Store mgr.
Paying supply bills	All	Accounts payable office under controller

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Care of Store:		
Practically all the stores have the following functions and have them under the store manager		In all stores these functions are under store manager
Maintenance of store and fixtures		
Carpentry and painting		
Electrical repair		
General maintenance and repair		
Providing heat, light, and power		
Providing transportation for distribution of customers through store		
Elevators		
Planning layout with coördination of merchandising and engineering factors		
Construction and remodeling of layout		
Cleaning store		
Decoration for special occasions		Some under display
Protection and detective forces		In one store under the gen. mgr.
Porter service		
Telephone switchboard		In some under service

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Publicity:		
ADVERTISING—		
Making merchandise plans for advertising	10	Buyers and mdse. mgr.
Making advertising plans and arranging special merchandise events	11	Adv. mgr., mdse. mgr. and buyers
Setting advertising schedule	11	Adv. mgr.
Use of schedule for coördination of sales force with advertising	10	Store mgr. In two stores a service mgr.
Use of plans and schedule for coördination of display with advertising	8	Display mgr.
Selecting merchandise for advertising	All	Copywriters and buyers
Setting up copy and layout	All	Adv. dept.
Checking proof of advertisement—		
for merchandise description	All	Buyers
for values as compared with other stores	6	Comparison office 3—Under Merchandise 2—Under gen. mgr. 1—Under publicity

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
for material chemical analysis	2	
Checking result of advertisements	2	
Checking coördination of sales force with advertising	5	3—Comparison 1—Employment 1—Training
DISPLAY— Making display plans		Display mgr.
Coördinating display with advertising	11	3—Display mgr. with adv. mgr. 8—Display is often independent of advertising
Selecting merchandise for windows and for interior display	All	Display mgr. and buyers
Dressing windows	All	Display dept.
Making signs and price cards	All	Display dept.
MISCELLANEOUS PUBLICITY: Publishing style magazine	1	Publicity div.
Mail-order advertisement	All	Adv. dept.

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Style shows	4	Adv. dept. and display dept.
Clothing information bureau	1	Publicity
Preparing miscellaneous folders, catalogues, and circulars	All	Adv. dept.
Personal Service:		
The stores vary greatly in the personal services which they offer. One store has quite a complete list. Others have practically none Information booths Filling mail orders Filling telephone orders Shopping bureau Waiting room Telegraph, telephone and post office Medical service Bureau for purchase of tickets of all kinds Advice on design and color, etiquette of dress, and on clothes budget Cashing checks Providing automobile parking facilities		Most services are under the store manager's division
Soliciting charge accounts		

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Interviewing and investigation of applications for charge accounts	All	All under credit mgr. who reports to controller except in three stores where credit division reports directly to gen. mgr.
Setting of credit limits		
Authorization of charge sales	All	
Collection of slow accounts		
Installment business		
Outside Sales:		
Mail-order sales		Publicity or separate division reporting to gen. mgr.
Quantity sales	1	Under publicity
Outside shops		Publicity div.
Leased departments		
Sales of Service:		
Fur storage	3	
Barber shop (men)	4	
Barber shop (women)	3	
Children's barber shop	3	
Hairdressing and manicuring shop	4	

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Shoe-shining shop	4	
Restaurant or cafeteria	3	
Jewelry repair	4	
Cleansing department	2	
Soda fountain	2	
Lending library		
Lending umbrellas		
Dress patterns		
Interior decorating		
Alterations Busheling Manufacturing for sale Repairing merchandise		Merchandise or Store mgr.
Selling and After-selling:		
Selling of merchandise	All	Sales people
Supervising selling	All	11—Buyer 2—Floor mgr.
Making out of sales slip	All	Sales people
Confirming of sales slip where necessary	All	Usually floor mgr.
Authorization of charges to be taken	All	Credit office under controller
Making of change and collecting of sales slips for auditing, and authorization for wrapping	All	Cashiers under controller
Auditing and Accounting:		
Checking up sales slips and credit slips to assure that all are correct	All	Practically same in all stores under controller's auditing dept.

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Securing of total sales and returns for each clerk and each department	12	Auditing dept.
Checking sales checks and credit slips against sales person's tally and credit book	All	Auditing dept.
Checking total of audited cash slips against cash received less authorized refunds for each cashier	All	Auditing dept.
Caring for cash in store		Usually head cashier 2—Separate cash offices under controller
Checking C.O.D. sales against report of money collected and packages returned.		Auditing office under controller
Billing of charge sales less credits	All	Accounts receivable or credit office
Compiling of statistics and reports on performance	All	Statistical office under controller
Delivery:		
Wrapping of Merchandise	All	Steps practically the same in most stores under the store mgr.

Authorizing charge packages	All	Credit office
Authorizing C.O.D. packages	All	Credit office
Listing packages — paid, charge and C.O.D.		Delivery dept. under store mgr.
Delivery of packages and calling for packages to be returned Regular delivery Parcel post Express	All	
Checking to see all packages and money on C.O.D. are accounted for	All	Auditing dept.
Maintenance and repair of delivery equipment		
Maintenance of garage		
Packing and shipping of furniture		
Returns by customer:		
Inspecting merchandise and authorizing return or exchange	All	Usually floor supt. 4—Buyer also

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Settling disputes and making adjustments	All	Adjustment bureau under store mgr. 1—Under gen. mgr. 1—Under controller
Check to see that returned merchandise is returned to department and that no unauthorized use of credit slips is made	5	
Recommending mark-down after shopping of other stores	5	Comparison office
Deciding to take mark-down or additional mark-up	All	Buyer
Shopping of additional mark-ups	2	Comparison
Approving change in price	5	Merchandise mgr. Controller
Remarking merchandise	All	Not always centralized
Recording of change in department stock ledger	All	Controller
Making change on perpetual inventory cards	6	
Inventory:		
Preparation of inventory sheets and arrangements	All	Controller

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Counting of merchandise inventory	All	Usually whole store force 1—Inventory crew under controller
Checking count in merchandise inventory		Usually by group of executives
Computing value of inventory	All	Controller
Investigating inventory shortages	5	4—Controller 1—Store mgr.
Accounting:		
Determining profit and preparing financial statements	All	Controller
Insurance and taxes	All	Usually controller
General bookkeeping and keeping of general ledger	All	Controller
Stenographic	All	Usually controller
Receiving and distribution of mail	All	Usually controller
Caring for legal matters	All	Important under gen. mgr. Less important under controller

FUNCTION	NUMBER OF STORES THAT CARRY OUT FUNCTION	AGENCY THAT CARRIES OUT FUNCTION
Financing of operations and financial policy	All	Gen. mgr. and controller
Real-estate policy	All	Usually gen. mgr.
Planning and research	All	Usually gen. mgr.
Coöperation with store associations		Usually gen. mgr.